

TLMC

TAK LEE MACHINERY HOLDINGS LIMITED

德利機械控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8142

Public Offer and Placing

Sole Sponsor



ASIAN CAPITAL

(CORPORATE FINANCE) LIMITED

卓亞 (企業融資) 有限公司

Sole Bookrunner and Sole Lead Manager



西證國際
SOUTHWEST SECURITIES

IMPORTANT

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

TLMC

Tak Lee Machinery Holdings Limited

德利機械控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares : 250,000,000 Shares
Number of Public Offer Shares : 25,000,000 Shares (subject to reallocation)
Number of Placing Shares : 225,000,000 Shares (subject to reallocation)
**Offer Price : Not more than HK\$0.44 per Offer Share and
expected to be not less than HK\$0.28 per
Offer Share, plus brokerage of 1%, SFC
transaction levy of 0.0027% and Stock
Exchange trading fee of 0.005% (payable in
full upon application in Hong Kong dollars and
subject to refund)**
Nominal Value : HK\$0.01 each
Stock Code : 8142

Sole Sponsor



ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

Sole Bookrunner and Sole Lead Manager



西證國際
SOUTHWEST SECURITIES

Co-Managers



方正證券(香港)
FOUNDER SECURITIES (HONG KONG)



雅利多證券
ARISTO SECURITIES LIMITED

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 and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date, which is scheduled on or about Friday, 21 July 2017, or such later date as may be agreed between our Company and the Sole Bookrunner. The Offer Price will be not more than HK\$0.44 per Offer Share and is currently expected to be not less than HK\$0.28 per Offer Share unless otherwise announced. The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. If this occurs, notice of reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange's website at www.hkexnews.hk and our website at www.tlmc-hk.com.

If, for any reason, the Offer Price is not agreed between us and the Sole Bookrunner on or before 8:00 a.m., Wednesday, 26 July 2017 (or such other time as our Company and the Sole Bookrunner may agree), the Share Offer will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States of America and may not be offered, sold, pledged, or transferred within the United States of America, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law.

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

Prospective investors of the Share Offer should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) upon occurrence of any of the events set out in the paragraph headed "Underwriting – Underwriting Arrangements and Expenses – Public Offer – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) terminate the Public Offer Underwriting Agreement, the Share Offer will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" of this prospectus. It is important that prospective investors refer to that section for further details.

17 July 2017

CHARACTERISTICS OF GEM

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

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website 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, our Company will issue a separate announcement to be published on the websites of the Stock Exchange (www.hkexnews.hk) and of our Company (www.tlmc-hk.com).

2017^(Note 1)

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at www.hkeipo.hk ^(Note 2)	11:30 a.m. on Thursday, 20 July
Application lists of the Public Offer open ^(Note 3)	11:45 a.m. on Thursday, 20 July
Latest time to lodge WHITE and YELLOW Application Forms and to give electronic application instructions to HKSCC ^(Note 4)	12:00 noon on Thursday, 20 July
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, 20 July
Application lists of the Public Offer close ^(Note 3)	12:00 noon on Thursday, 20 July
Expected Price Determination Date ^(Note 5)	Friday, 21 July
Announcement of (i) the final Offer Price; (ii) the level of indication of interest in the Placing; (iii) the level of applications in the Public Offer; and (iv) the basis of allocation of the Public Offer Shares to be published on the website of our Company at www.tlmc-hk.com ; and on the website of the Stock Exchange at www.hkexnews.hk on or before	Wednesday, 26 July
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 "How to apply for Public Offer Shares – 11. Publication of results" from	Wednesday, 26 July

EXPECTED TIMETABLE

2017^(Note 1)

Results of allocations in the Public Offer will be available

at www.tricor.com.hk/ipo/result

with a “search by ID” function from Wednesday, 26 July

Despatch/collection of share certificates of the Public Offer Shares or

deposit of share certificates of the Public Offer Shares into

CCASS in respect of wholly or partially successful

applications pursuant to the Public Offer on or before^(Note 7) Wednesday, 26 July

Despatch/collection of refund cheques and **HK eIPO White Form**

e-Auto Refund payment instructions in respect of

wholly or partially successful (in the event that the final Offer Price

is less than the price payable on application) and wholly or

partially unsuccessful applications pursuant to the

Public Offer on or before^(Note 8) Wednesday, 26 July

Dealing in the Shares on the Stock Exchange

expected to commence at. 9:00 a.m. on Thursday, 27 July

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including the conditions of the Public Offer, are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus. If there is any change in this expected timetable, an announcement will be published on the website to our Company at www.tlmc-hk.com and on the website of the Stock Exchange at www.hkexnews.hk.
2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 20 July 2017, the application lists will not open and close on that day. Please refer to the section headed “How to apply for Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” of this prospectus. If the application lists do not open and close on Thursday, 20 July 2017, the dates mentioned in this section may be affected. An announcement will be made by us in such event on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.tlmc-hk.com.
4. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for Public Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” of this prospectus.
5. The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Friday, 21 July 2017 and in any event, not later than Wednesday, 26 July 2017. If, for any reason, the final Offer Price is not agreed by 8:00 a.m., on Wednesday, 26 July 2017 between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse.
6. None of the information contained on any website forms part of this prospectus.

EXPECTED TIMETABLE

7. Applicants who apply for 1,000,000 Public Offer Shares or more may collect 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 Wednesday, 26 July 2017 or any other date as notified by us as the date of despatch of share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed "How to apply for Public Offer Shares" of this prospectus.
8. **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the price 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" of this prospectus.

Share certificates for the Offer Share are expected to be issued on the Listing Date but 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 Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

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

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Tak Lee Machinery Holdings Limited solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares.

You should rely only on the information contained in this prospectus 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 Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters, any of our or their respective directors, officers, employees, agents, representatives or affiliates, or any other person or party involved in the Share Offer.

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SUMMARY

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

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

OVERVIEW

We are one of the leading earthmoving equipment sales and leasing service providers in Hong Kong. According to the Crowe Horwath Report, we were the largest market player in the earthmoving equipment sales market in Hong Kong with a market share of approximately 34% and 35% in terms of revenue generated from the sales of earthmoving equipment in 2015 and 2016, respectively. During the Track Record Period, our revenue amounted to approximately HK\$301.1 million, HK\$320.5 million and HK\$130.8 million respectively.

Amongst various categories of heavy equipment, we strategically focus on earthmoving equipment since our inception in March 2001. We provide comprehensive services for earthmoving equipment users in Hong Kong, including primarily (i) the sale of new and used earthmoving equipment and spare parts, (ii) the leasing of earthmoving equipment, and (iii) the provision of maintenance and ancillary services for earthmoving equipment users. We also offer some heavy equipment other than earthmoving equipment for sales and for leasing. The following table sets out a breakdown of our revenue and gross profit by business segments during the Track Record Period:

	Year ended 31 July								Six months ended 31 January			
	2015				2016				2017			
	Revenue	Contribution to total revenue	Gross profit	Gross profit margin	Revenue	Contribution to total revenue	Gross profit	Gross profit margin	Revenue	Contribution to total revenue	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Sales of heavy equipment and spare parts	268,197	89.1	33,433	12.5	300,937	93.9	40,176	13.4	125,297	95.8	19,458	15.5
Leasing of heavy equipment	28,993	9.6	18,432	63.6	16,379	5.1	10,282	62.8	4,344	3.3	2,419	55.7
Maintenance and ancillary services	3,891	1.3	1,775	45.6	3,174	1.0	1,217	38.3	1,125	0.9	288	25.6
Total	301,081	100.0	53,640	17.8	320,490	100.0	51,675	16.1	130,766	100.0	22,165	17.0

Our gross profit margin of sales of heavy equipment and spare parts increased from approximately 12.5% for FY2015 to approximately 13.4% for FY2016, and further increased to approximately 15.5% for the six months ended 31 January 2017. Our gross profit margin of leasing of heavy equipment was relatively stable during the Track Record Period. Our gross profit of maintenance and ancillary services segment contributed approximately 3.3%, 2.4% and 1.3% of the overall gross profit for FY2015, FY2016 and the six months ended 31 January 2017, respectively. The contribution of this segment was insignificant during the Track Record Period.

The new equipment we offer are manufactured by well-recognised heavy equipment manufacturers. According to the Crowe Horwath Report, as these foreign manufacturers generally do not set up local offices in Hong Kong, it is common for them to assign dealership or distributorship rights to local service providers, in particular, to those with the ability to provide value-added services. With our experienced technical team, we are capable of providing value-added services such as technical support under product warranty, onsite training session to customers and assembling and refitting of equipment.

SUMMARY

We have entered into a number of dealership or distributorship agreements which allow our Group to source new earthmoving equipment of well-recognised brands within the industry. As at the Latest Practicable Date, we were the exclusive dealer and distributor for *Ramfos*, *Labounty* and *Ammann* brands of earthmoving equipment in Hong Kong and other designated regions and we were also the only authorised dealer for *Hitachi* brand of earthmoving equipment in Hong Kong and Macau.

In addition to a strong and stable supply network, the other core component to our “one-stop shop” service model is our expertise and experience in various earthmoving equipment and earthmoving operation. As wear and tear of earthmoving equipment occurs during the normal course of usage, maintenance and repair of earthmoving equipment is crucial to our customers. Our technical team possesses in-depth specialist knowledge and expertise in earthmoving equipment which fulfill the needs of our customers.

We believe that one of our competitive advantages is that the synergy from our complementary services and our wide range of products, which the majority of our competitors lack, help to satisfy customers with different needs. Accordingly, our products and services were relied by customers engaged in notable public or private projects in Hong Kong including:

- Tuen Mun Lam Tei Quarry rehabilitation;
- West New Territories Landfill operation;
- Liantang Boundary Control Point project;
- Admiralty station, To Kwa Wan station, Ma Tau Wai station and Hung Hom station of the Shatin to Central Link project, including the temporary reclamation at Hung Hom landfill;
- Hong Kong-Zhuhai-Macau Bridge project; and
- Hong Kong terminus of the Express Rail Link project.

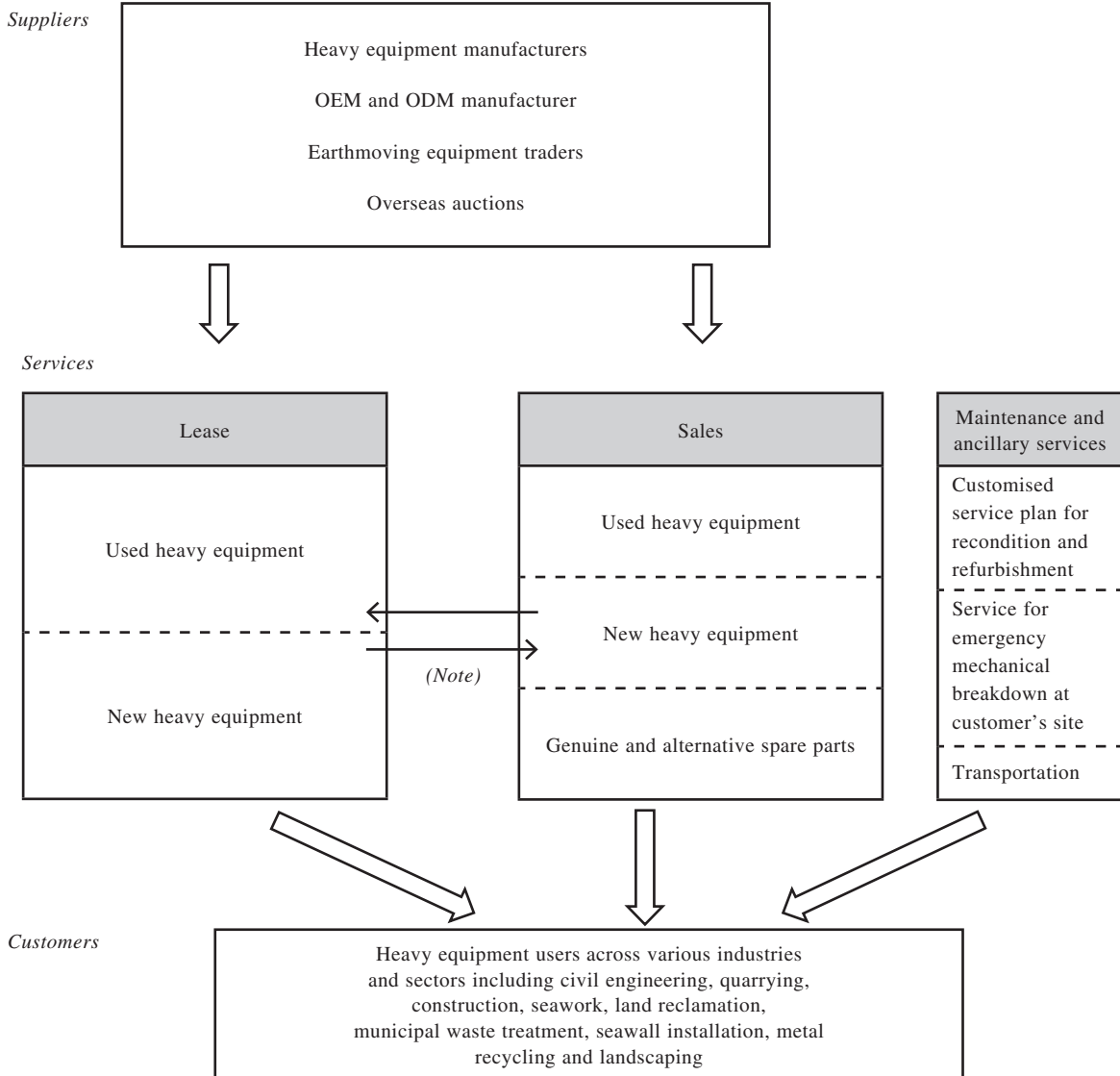
OUR PRODUCT OFFERING

Our product portfolio comprises various types of earthmoving equipment, including heavy vehicles and earthmoving attachments, as well as their spare parts. The earthmoving attachments, which can be altered, are attached to heavy vehicle to give it different reach and manoeuvrability. As such, the earthmoving equipment can be used in demanding environment and difficult geological conditions for civil engineering, quarrying, construction, seawork, underwater dredging, land reclamation, municipal waste treatment, seawall installation, metal recycling and landscaping. Our other products include other heavy equipment, such as high reach equipment and power and energy equipment.

SUMMARY

BUSINESS MODEL

The following diagram illustrates our business model in general:



Note: Depending on the circumstances, the equipment in our leasing fleet may be phased out through sales while the ready stock of heavy equipment for our sales business may be included as our leasing fleet.

SUMMARY

We generated a majority of our revenue from our sales business, in which a substantial portion of the revenue was derived from the sales of heavy vehicles. The table below sets out our revenue, sales volume, average unit price and gross profit margin by types of heavy equipment and spare parts for the Track Record Period indicated.

	Year ended 31 July									Six months ended 31 January					
	2015					2016					2017				
	Revenue HK\$'000	Gross profit HK\$'000	Gross profit margin %	Sales volume Unit	Average unit price HK\$'000	Revenue HK\$'000	Gross profit HK\$'000	Gross profit margin %	Sales volume Unit	Average unit price HK\$'000	Revenue HK\$'000	Gross profit HK\$'000	Gross profit margin %	Sales volume Unit	Average unit price HK\$'000
Heavy vehicles															
New	144,187	26,347	18.3	130	1,109	127,597	22,906	18.0	130	982	38,331	7,048	18.4	34	1,127
Used	74,044	5,371	7.3	152	487	138,947	6,761	4.9	188	739	60,055	7,983	13.3	104	577
Sub-total	218,231	31,718	14.5	282		266,544	29,667	11.1	318		98,386	15,031	15.3	138	
Earthmoving attachment	23,429	2,397	10.2	71	330	10,961	1,325	12.1	62	177	2,374	394	16.6	18	132
Sub-total	241,660	34,115	14.1	353		277,505	30,992	11.2	380		100,760	15,425	15.3	156	
Other heavy equipment	4,106	576	14.0			3,462	516	14.9			11,628	2,083	17.9		
Spare parts	22,431	3,740	16.7			19,970	3,670	18.4			12,909	1,950	15.1		
(Allowance)/reversal of allowance for inventories	-	(4,998)	N/A			-	4,998	N/A			-	-	N/A		
Total	268,197	33,433	12.5			300,937	40,176	13.4			125,297	19,458	15.5		

Note: (Allowance)/reversal of allowance for inventories represents the provision made for slow moving, obsolete and damaged inventories at the end of the Track Record Period.

Our gross profit margin for sales of heavy equipment and spare parts increased from approximately 12.5% for FY2015 to approximately 13.4% for FY2016 and further increased to approximately 15.5% for the six months ended 31 January 2017.

The decrease in gross profit margin for sales of heavy vehicles from approximately 14.5% for FY2015 to approximately 11.1% for FY2016 was mainly attributable to the increase in cost of earthmoving equipment as a result of appreciation of JPY, which was not fully passed on to our customers in FY2016, and the increase in proportion of used heavy vehicles with relatively lower profit margin in FY2016. The increase in gross profit margin for sales of heavy vehicles to 15.3% for the six months ended 31 January 2017 was mainly attributable to the decrease in cost of repair and maintenance for used heavy vehicles, and the increase in sale of other heavy equipment of higher profit margin.

The decrease in gross profit margin for sales of used heavy vehicles from approximately 7.3% for FY2015 to approximately 4.9% for FY2016 was mainly attributable to the increase in proportion of used heavy vehicles with relatively lower profit margin in FY2016. The increase in gross profit margin for sale of used heavy vehicles to 13.3% for the six months ended 31 January 2017 was mainly due to the decrease in cost of repair and maintenance of used heavy vehicles.

Our gross profit margin for sales of earthmoving attachment increased from approximately 10.2% for FY2015 to approximately 12.1% for FY2016, and further increased to approximately 16.6% for the six months ended 31 January 2017 due to the increase in sales of earthmoving attachment with higher profit margin in the Track Record Period.

The increase in our gross profit margin for sales of spare parts from approximately 16.7% for FY2015 to approximately 18.4% for FY2016, and decrease to approximately 15.1% for the six months ended 31 January 2017 was mainly attributable to the different sales mix of spare parts in respect of demand from customers.

The average selling price of new heavy vehicles recorded a year-on-year decrease of 11.5% in FY2016, mainly attributable to sales of heavy vehicles having been concluded at higher price in FY2015 and the lowering of our price of some of our products in response to the market competition in FY2016. Since JPY appreciated to a relatively high level in between July and November 2016, the average selling price of new heavy vehicles increased for the six months ended 31 January 2017. The average selling price of used heavy vehicles for FY2016 increased by 51.7% as compared to that of FY2015, and such increase is mainly attributable to increase in sales of used heavy vehicles with relatively higher price.

SUMMARY

We have recorded growth for our sales of heavy vehicles during the Track Record Period. Our Directors expect that there will be further increase in the demand for our earthmoving equipment, particularly for heavy vehicles, for reasons detailed in the section headed “Industry overview” of this prospectus.

Our Directors also believe that there will be an increase in demand for genuine spare parts as the customers who have purchased earthmoving equipment from our Group are likely to return to purchase spare parts from our Group, especially genuine spare parts brands for which we have exclusive distributorship or dealership in Hong Kong and in designated regions.

The following table sets out a breakdown of our revenue derived from our sales contributed against the brands of earthmoving equipment for the Track Record Period as follow:

	Year ended 31 July				Six months ended 31 January	
	2015	Contribution to the sales of earthmoving equipment	2016	Contribution to the sales of earthmoving equipment	2017	Contribution to the sales of earthmoving equipment
	Revenue HK\$'000	%	Revenue HK\$'000	%	Revenue HK\$'000	%
Dealership and distributorship						
<i>Ammann</i>	–	–	–	–	1,110	1.1
<i>Hitachi</i>	139,672	57.8	123,517	44.5	35,421	35.2
<i>Ramfos</i>	20,695	8.6	9,265	3.3	1,420	1.4
OEM and ODM partner						
<i>TLMC (Note)</i>	–	–	627	0.2	–	–
Others	81,293	33.6	144,096	52.0	62,809	62.3
Total	<u>241,660</u>	<u>100.0</u>	<u>277,505</u>	<u>100.0</u>	<u>100,760</u>	<u>100.0</u>

Note: TLMC is our own brand.

OUR SUPPLIERS

We source our products from various suppliers. For new earthmoving equipment, they are sourced from third-party manufacturers including through dealerships or distributorships and from our OEM and ODM partner. For used earthmoving equipment, we source them from auctions and from trading companies, brokers, overseas earthmoving equipment dealers and used earthmoving equipment owners. Our purchases from the top five suppliers for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 amounted to approximately HK\$150.3 million, HK\$156.7 million and HK\$60.9 million respectively, representing approximately 70.1%, 67.9% and 63.3% of our total purchases.

In particular, we sourced a substantial amount of new earthmoving equipment from HCS, our largest supplier during the Track Record Period. Our purchases from HCS amounted to approximately HK\$121.0 million, HK\$102.6 million and HK\$31.0 million for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, respectively, which was equivalent to approximately 56.4%, 44.4% and 32.2% of our total purchases for the respective periods. For further information, please refer to the section headed “Business – Suppliers and procurement” of this prospectus.

We believe that our business relationship with HCS, our largest supplier during the Track Record Period, will continue to be stable based on two factors: (i) our business relationship with HCS is mutually beneficial, as we are the only authorised dealer of HCS’s new heavy equipment in Hong Kong and Macau as at the Latest Practicable Date. As at Latest Practicable Date, except our Group, HCS has not entered

SUMMARY

into dealership agreement with any third parties in Hong Kong and Macau; and (ii) we have developed a strategic and strong business relationship with HCS since our first dealership agreement in 2012 which will continue to be effective until December 2019 in accordance with the terms of the dealership agreement currently in force. In the unlikely event that our business relationship with HCS deteriorates at the time of expiration of our current dealership agreement in December 2019, we believe that we will be capable of adjusting efficiently ahead of time our business strategy and operation to minimise disruption to our business, for instance, we may source products from our existing or new suppliers. For further details of our business relationship with HCS, please refer to the sub-section headed “Business – Suppliers and procurement – Dealership and distributorship – Our dealership with HCS” of this prospectus.

OUR CUSTOMERS

Our Group’s principal market is Hong Kong and all our contracts are concluded in Hong Kong. For our sales and leasing businesses, most of our customers are local and international main contractors and subcontractors in the construction and civil engineering industries, and the remaining includes waste services companies and scrap facility owners. Our customers who use our maintenance and ancillary services are usually our existing customers who have purchased or leased equipment from us.

Revenue generated from our top five customers for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 amounted to approximately HK\$101.7 million, HK\$77.7 million and HK\$38.8 million, representing approximately 33.8%, 24.2% and 29.6% of our total revenue respectively. Sales to the largest customer of our Group for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 amounted to approximately HK\$31.1 million, HK\$23.9 million and HK\$11.1 million, representing approximately 10.3%, 7.5% and 8.5% of our total revenue respectively.

Pricing policy

We have the flexibility in adjusting the price of new heavy equipment for sales. We usually price the new equipment after taking into account the costs of procurement, the credibility of the customer, the market conditions, the rarity of the equipment and the estimated warranty costs. In respect of the sales of used equipment, in addition to the costs of procurement, we consider factors such as equipment age, operating hours, condition, brand, specifications and the costs of refurbishment before sales in pricing each piece of equipment. We set the price of genuine spare parts based on the list price of the manufacturers.

For our leasing business, we normally charge our leasing customers by making reference to various factors, including the cost of the equipment, the type, rarity and condition of the equipment, the rate of usage, the market rates, the leasing period, the market condition and the nature of the work to be undertaken. Given the wide range of factors that are taken into account, the leasing fee for each type of earthmoving equipment may differ significantly.

Please refer to the section headed “Business — Customers and marketing — Pricing policy” of this prospectus.

COMPETITIVE LANDSCAPE

The heavy equipment service industry in Hong Kong is quite fragmented, with 100 to 150 companies sharing approximately HK\$7.4 billion of total revenue of the industry in 2016. Meanwhile, it is estimated that 30 to 40 companies share the earthmoving equipment market in Hong Kong which consists of a combined revenue of approximately HK\$1,962 million in 2016. In the earthmoving equipment sales market, the top five largest market players accounted for approximately 74% and 78% of the market by revenue in 2015 and 2016 respectively, while our Group, being the market leader, took up approximately 34% of the market by sales revenue in 2015 and 35% in 2016. We took up 3% of the leasing value and were the fifth largest market player in the earthmoving equipment leasing market in 2015.

Please refer to the section headed “Industry overview” of this prospectus for details of the competitive landscape of the industry.

SUMMARY

OUR STRENGTHS

Our Directors believe the competitive strengths described below distinguish our Group from our competitors:

- Holistic “one-stop shop” approach to provide sales, leasing and maintenance and ancillary services for earthmoving equipment users
- Dealerships and distributorships with prominent earthmoving equipment manufacturers
- Experienced management team with proven track record
- Strong technical knowledge and experience
- Experience accumulated from having successfully completed sizable projects
- Wide range of earthmoving equipment being offered to customers
- Commencement of production of our own-brand earthmoving equipment

Please refer to the section headed “Business — Competitive strengths” of this prospectus.

OUR STRATEGIES

Our Directors consider that our existing business structure meets our business needs and allows organic growth. We aim to increase the scale of our business by expanding the scope of our services and our products to capture the upcoming opportunities and we intend to achieve our vision with the following business strategies:

- Strengthen our supplier base and expand product portfolio in anticipation of the changing market conditions
- Enhance and expand our leasing and maintenance and ancillary services
- Expand and improve our workshop and facilities
- Accelerate the development of our own-brand earthmoving attachment
- Recruit talents to capture more business opportunities

Please refer to the sections headed “Business — Business strategies” and “Future plans and use of proceeds” of this prospectus for a detailed description of these strategies.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), 75% of the issued share capital of our Company will be owned by Mr. Chow and Ms. Cheng, through Generous Way. Mr. Chow is our chairman of the Board, chief executive officer and executive Director while Ms. Cheng is our non-executive Director. Mr. Chow and Ms. Cheng are spouses. For further information, please refer to the section headed “Substantial Shareholders” of this prospectus.

SUMMARY OF FINANCIAL INFORMATION

Our results of operations are influenced by a number of factors, the most significant of which are (i) the demand of our heavy equipment; (ii) the cost of machinery, equipment and spare parts, (iii) the ability to procure suitable earthmoving equipment; and (iv) the fluctuations in foreign exchange rates.

SUMMARY

Selected items from consolidated statements of profit and loss and other comprehensive income

Key financial data below are extracted from our consolidated statements of profit and loss and other comprehensive income for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 as extracted from the Accountants' Report of our Group in Appendix I to this prospectus:

	Year ended 31 July		Six months ended
	2015	2016	31 January 2017
	HK\$'000	HK\$'000	HK\$'000
Revenue	301,081	320,490	130,766
Gross profit	53,640	51,675	22,165
Profit and total comprehensive income for the year attributable to owners of the Company	<u>31,212</u>	<u>23,516</u>	<u>7,411</u>

For FY2016, our revenue amounted to approximately HK\$320.5 million, representing an increase of approximately HK\$19.4 million or 6.4% from approximately HK\$301.1 million for FY2015. Such increase was mainly attributable to the growth in the sales of used heavy vehicles. Since used heavy vehicles have a relatively attractive price compared with new heavy vehicles, more customers opted for used heavy vehicles in FY2016.

For the six months ended 31 January 2017, our revenue amounted to approximately HK\$130.8 million representing a decrease of approximately HK\$18.0 million or 12.1% from approximately HK\$148.8 million for the six months ended 31 January 2016. Such decrease was mainly attributable to the decrease in the sale of new heavy vehicles and decrease in revenue from leasing segments. Drop in sale of new heavy vehicles was mainly due to the increase in the selling price of new heavy vehicles as a result from JPY appreciation. On the other hand, the fall in revenue from leasing segment was mainly due to the decrease in rental income received from a customer, whose involvement in a reclamation project in artificial island has been substantially completed during the six months ended 31 January 2016.

Our gross profit decreased by approximately HK\$1.9 million, or 3.5%, from approximately HK\$53.6 million for FY2015 to approximately HK\$51.7 million for FY2016. In addition, our gross profit margin decreased from approximately 17.8% for FY2015 to approximately 16.1% for FY2016. Such decrease was mainly attributed to the decrease in our gross profit margin derived from the sales of heavy equipment and spare parts segment, which decreased from 14.3% in FY2015 to 11.7% in FY2016 after excluding the effect of allowance of inventories. Such decrease was due to the increase in cost of earthmoving equipment as a result of appreciation of JPY and the pricing strategy in response to the market competition in FY2016.

Our gross profit decreased by approximately HK\$3.3 million, or 12.9%, from approximately HK\$25.5 million for the six months ended 31 January 2016 to approximately HK\$22.2 million for the six months ended 31 January 2017 while our gross profit margin remained stable at approximately 17.2% and 17.0% for the six months ended 31 January 2016 and 2017 respectively. The decrease in gross profit was mainly attributed to the aforementioned decrease in revenue.

Our profit decreased by approximately HK\$7.7 million, or 24.7%, from approximately HK\$31.2 million for FY2015 to approximately HK\$23.5 million for FY2016. Such decrease was mainly attributable to the decrease in net foreign exchange gain, the increase in net foreign exchange loss, and the increase in staff cost due to the increase in number of staff in FY2016.

Our profit decreased by approximately HK\$5.8 million, or 43.9%, from approximately HK\$13.2 million for the six months ended 31 January 2016 to approximately HK\$7.4 million for the six months ended 31 January 2017. Such decrease was mainly due to the decrease in the aforementioned gross profit, the increase in listing expenses, and the absence of the reversal of allowance of trade receivables during the six months ended 31 January 2017 compared with the six months ended 31 January 2016.

SUMMARY

Selected items from consolidated statement of financial position

The table below sets out selected items extracted from our consolidated statements of financial position as at 31 July 2015 and 2016 and 31 January 2017 as contained the Accountants' Report of our Group in Appendix I to this prospectus.

	As at 31 July		As at
	2015	2016	31 January
	HK\$'000	HK\$'000	2017
			HK\$'000
Current assets	257,348	191,778	204,618
Current liabilities	76,089	41,596	51,850
Net current assets	181,259	150,182	152,768
Non-current assets	17,493	12,957	17,605
Non-current liabilities	–	386	209
Net assets	198,752	162,753	170,164

As at 31 July 2015 and 2016 and 31 January 2017, our Group had net current assets of approximately HK\$181.3 million, HK\$150.2 million and HK\$152.8 million respectively. The decrease in our net current assets was mainly attributable to the payment of dividend which amounted to approximately HK\$59.5 million in FY2016 and was partially offset by our net profit of approximately HK\$23.5 million generated in FY2016.

The increase in net current assets as at 31 January 2017 was mainly attributable to the application of profit for the six months ended 31 January 2017 for the purchase of heavy equipment and the payment of Hong Kong Profits Tax.

During the Track Record Period, our inventory represents the heavy equipment and spare parts for sale whilst property, plant and equipment mainly consists of machinery for lease. Both amounts as at 31 July 2016 declined slightly as compared with those as at 31 July 2015. The inventory balance declined further by approximately 8.4% as at 31 January 2017 while the carrying amounts of machinery for lease increased by approximately 54.3% as at 31 January 2017 as compared with those as at 31 July 2016.

Selected items from consolidated statements of cash flows

The table below sets out a summary of our selected items from consolidated statements of cash flows during the Track Record Period:

	Year ended 31 July		Six months
	2015	2016	ended
	HK\$'000	HK\$'000	31 January
			2017
			HK\$'000
Operating profit before working capital changes	53,833	25,781	11,722
Net cash generated from/(used in) operating activities	29,940	104,462	(22,187)
Net cash (used in)/generated from investing activities	(815)	(400)	434
Net cash (used in)/generated from financing activities	(9,345)	(98,079)	20,694
Effect of foreign exchange rate changes	489	(265)	(680)
Net increase in cash and cash equivalents	20,269	5,718	(1,739)
Cash and cash equivalents at beginning of the year/period	9,483	29,752	35,470
Cash and cash equivalents at the end of the year/period	29,752	35,470	33,731

SUMMARY

Our net cash generated from operating activities increased by approximately HK\$74.6 million, or 248.9%, from approximately HK\$29.9 million for FY2015 to approximately HK\$104.5 million for FY2016. The increase was mainly attributable to increase in net working capital inflow of approximately HK\$101.0 million in FY2016, offset by the decrease in profit before tax after non-cash income or expenses of approximately HK\$28.1 million. The net working capital inflow was largely attributable to the decreases in trade receivables, prepayment, deposits and other receivables and inventories amounted to HK\$36.2 million, HK\$26.2 million and HK\$18.4 million respectively.

Net cash used in operating activities for the six months ended 31 January 2017 was approximately HK\$22.2 million while our profit before tax was approximately HK\$9.9 million. The net cash used in operating activities was the result of operating profit before working capital changes of HK\$11.7 million and net working capital outflow of HK\$23.4 million. The net working capital outflow was largely attributable to the year-on-year increases in trade receivables amounted to HK\$5.5 million. Our Directors consider that such increase was mainly due to slow settlement from several customers and the Chinese New Year effect which generally slows down our collection process. The payment collection process improved and there was no such further delay of the payment from the above customers after 31 January 2017. Increase in prepayments, deposits and other receivables amounted to HK\$18.2 million was mainly due to the prepayment for the procurement of various heavy equipment of approximately HK\$16.9 million, which include 162 diesel generators for the expansion our leasing fleet.

Key Financial Ratios

The table below displays our key financial ratios for the year or period ended or as at the dates indicated:

	As at 31 July		As at
	2015	2016	31 January 2017
Current ratio	3.38 times	4.61 times	3.95 times
Gearing ratio	28.6%	11.7%	22.9%
Debt to equity ratio	13.6%	N/A	3.1%
	Year ended 31 July		Six months ended
	2015	2016	31 January 2017
Interest coverage	30.1 times	23.6 times	22.3 times
Return on total assets	11.4%	11.5%	6.6%
Return on equity	15.7%	14.4%	8.6%
Net profit margin	10.4%	7.3%	5.7%

Please refer to the section headed “Financial information – Key financial ratios” of this prospectus for the definition of the above financial ratios.

RECENT DEVELOPMENTS

During the six months ended 31 January 2017, we have entered into an exclusive dealership agreement with a heavy equipment manufacturer, of which the manufacturer will supply *Ammann* brand of heavy vehicles and genuine spare parts to our Group. Since the date of the exclusive dealership agreement and up to the Latest Practicable Date, we placed purchase orders for 28 *Ammann* brand heavy vehicles with the manufacturer and we have already sold and delivered 10 and leased out 2 of such heavy vehicles. For the remaining *Ammann* brand heavy vehicles which purchase orders were placed, 6 of such new heavy vehicles are being kept as ready stock for sale, and 10 of such heavy vehicles, which are also to be kept as ready stock for sales, are expected to be delivered to our Group from the manufacturer in batches from July to October 2017. Please refer to the section headed “Business – Suppliers and procurement – Dealership and distributorship” of this prospectus for the major terms of our dealership or distributorship agreements.

SUMMARY

Subsequent to the Track Record Period, we have continued to focus on strengthening our market position as earthmoving equipment sales and leasing service provider. Such effort included the introduction of other type of earthmoving equipment in our product offering such as articulated dump truck to increase our product mix, and the expansion of our sales and marketing team to reach out to existing and potential customers. There has been no significant changes to our business model, the general economic conditions and the markets in which we operate.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we received 266 purchase orders of approximately HK\$158.1 million for heavy equipment and entered into 91 leasing agreements with our customers. As at the Latest Practicable Date, the contracted value of our signed leasing agreements to be recognised amounted to approximately HK\$3.6 million, out of which approximately HK\$3.4 million were the remaining contracted value of our ongoing leasing agreements (the leasing period of which had commenced as at the Latest Practicable Date).

Our Directors confirm that there has been no material adverse change in the financial performance and results of operations since the end of the Track Record Period up to the date of this prospectus.

LISTING EXPENSES

The estimated total listing expenses for the Listing (based on the mid-point of the indicative Offer Price range) amounts to approximately HK\$24.7 million, primarily consisting of fees paid and payable to professional parties and underwriting commission. Among the estimated total listing expenses, approximately HK\$8.8 million is expected to be charged to equity after the Listing. The remaining amount of approximately HK\$15.9 million has been or is expected to be charged to our profit or loss of our Group. During the Track Record Period, we incurred listing expenses of approximately HK\$11.4 million, of which approximately HK\$9.0 million were expensed and accounted for as part of our administrative expenses and approximately HK\$2.4 million were accounted for as prepayments as at 31 January 2017. Expenses related to the listing are non-recurring in nature. Our Group's financial performance and results of operations for the year ending 31 July 2017 will be significantly and adversely affected by the estimated expenses in relation to the Listing.

SHARE OFFER STATISTICS

	Based on an Offer Price of HK\$0.28	Based on an Offer Price of HK\$0.44
Market capitalisation (<i>Note 1</i>)	HK\$280,000,000	HK\$440,000,000
Unaudited pro forma adjusted combined net tangible assets per Share (<i>Note 2</i>)	HK\$0.23	HK\$0.27

Note:

- (1) The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue immediately upon completion of the Share Offer and the Capitalisation Issue.
- (2) The unaudited pro forma adjusted combined net tangible asset per Share attributable to the owners of our Company has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

DIVIDENDS

We declared dividends of approximately HK\$8.1 million, HK\$59.5 million and HK\$nil, respectively for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017. As at the Latest Practicable Date, such declared dividends have been fully distributed.

Our Group does not have any pre-determined dividend distribution ratio.

SUMMARY

The declaration of any future dividends will depend on our results of operations, cash flows and financial condition, cash requirements and other relevant factors that our Directors deem relevant from time to time. Dividends may be paid only out of our Company's distributable reserves as permitted under the relevant laws. Final dividend for any financial year will in addition be subject to Shareholders' approval.

USE OF PROCEEDS

Assuming an Offer Price of HK\$0.36 (being the mid-point of the indicative Offer Price range), we estimate that we will receive net proceeds of approximately HK\$79.6 million from the Share Offer after deducting the underwriting commissions and other estimated expenses in connection with the Share Offer. We intend to use the net proceeds from the Share Offer for the following purposes:

Business strategy	Approximate amount of net proceeds or percentage
Procurement of heavy equipment	HK\$51.7 million or 65.0%
Enhancement and expansion of our existing facilities	HK\$11.4 million or 14.3%
Development of our own brand of heavy equipment	HK\$4.2 million or 5.3%
Recruitment and training of staff	HK\$4.3 million or 5.4%
Working capital of our Group	HK\$8.0 million or 10.0%

Please refer to the section headed "Future plans and use of proceeds" of this prospectus for the detailed plans for our use of proceeds.

RISK FACTORS

Our business is subject to a number of risks and there are risks relating to an investment in the Offer Shares. We believe that the following are some of the major risks that may have a material adverse effect on us:

- Our business operations rely heavily on our dealerships and distributorships granted by heavy equipment manufacturers.
- We depend on suppliers for products to sell and to lease, and we may face shortage or delay in supply, or deterioration in the quality of such products.
- We are exposed to foreign exchange risks.
- Our existing customers may not rely on our sales and leasing services again in the future.
- We derive our revenue substantially in Hong Kong and any downturn in the Hong Kong economy could have a material adverse effect on our business and operating results.
- We are exposed to risks in relation to the collectability of our trade receivables. If our customers default on their payments to us, our profitability and cash flow will be adversely affected.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of the Group prepared by RSM Hong Kong as contained in Appendix I to this prospectus
“Application Form(s)”	WHITE , YELLOW and GREEN application form(s), or where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 30 June 2017 and effective on the Listing Date as supplemented, amended or otherwise modification 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
“Board”	the board of Directors
“business day(s)”	a day on which banks in Hong Kong are generally open for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR(s)”	an acronym for compound annual growth rate, the year-on-year growth rate of a value over a specified period of time, taking into account the effects of compounding
“Capitalisation Issue”	the allotment and issue of 712,000,000 new Shares to be made upon the capitalisation of certain amount standing to the credit of the share premium account of our Company referred to in the section headed “A. Further information about our Group – 3. Written resolutions of our sole Shareholder passed on 30 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, joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China and for the sole purpose of this prospectus shall exclude Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Tak Lee Machinery Holdings Limited (德利機械控股有限公司), an exempted company incorporated in the Cayman Islands under the Cayman Companies Law with limited liability on 11 December 2015
“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, in the case of our Company, means Mr. Chow, Ms. Cheng and Generous Way
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Crowe Horwath”	Crowe Horwath (HK) Consulting & Valuation Limited, an Independent Third Party, being a professional market research company
“Crowe Horwath Report”	an independent market research report on market landscape and competitive analysis on the heavy equipment industry in Hong Kong prepared by Crowe Horwath
“Deed of Indemnity”	the deed of indemnity dated 30 June 2017 entered into by our Controlling Shareholders in favour of our Company, details of which are set out in the paragraph headed “Statutory and general information – D. Other information – 2. Tax and other indemnities” in Appendix IV to this prospectus

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated 30 June 2017 executed by our Controlling Shareholders in favour of our Company containing certain non-competition undertakings to our Group referred to in the paragraph headed “Relationship with our Controlling Shareholders – Deed of Non-competition” of this prospectus
“Director(s)”	the director(s) of our Company
“Econsmart”	Econsmart Limited (駿財有限公司), a company incorporated in Hong Kong with limited liability on 19 September 2001 and is a direct wholly-owned subsidiary of TLMC Company Limited
“Euro” or “EUR”	the lawful currency of eurozone
“FY”	financial year
“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
“Generous Way”	Generous Way Limited, a company incorporated in the BVI with limited liability on 28 September 2015, which is beneficially owned as to 50% by Mr. Chow and 50% by Ms. Cheng
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group” or “our Group” or “we” or “our” or “us”	our Company and its subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or the businesses operated by its present subsidiaries or (as the case may be) their predecessors
“HCS”	Hitachi Construction Machinery (Shanghai) Co., Ltd., a subsidiary of Hitachi Construction Machinery Co., Ltd., which is principally engaged in the provision of <i>Hitachi</i> products
“ <i>Hitachi</i> ”	brand of the products manufactured and supplied by Hitachi Construction Machinery Co., Ltd., its subsidiaries and affiliates
“HK\$”, “HKD” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application for the Public Offer Shares to be issued in the applicant’s own name by submitting application online at the designated website at www.hkeipo.hk

DEFINITIONS

“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	a person(s) or company(ies) who/which, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, is/are not connected with (within the meaning of the GEM Listing Rules) any member of our Group, our Directors, chief executive and the substantial shareholders of our Company and its subsidiaries, and their respective associates
“Latest Practicable Date”	7 July 2017, being the latest practicable date for ascertaining certain information referred to in this prospectus prior to the printing of this prospectus
“Legal Counsel”	Mr. Selwyn Yu S.C., barrister-at-law and senior counsel of Hong Kong, and Ms. Pauline Leung, barrister-at-law of Hong Kong
“Listing”	the listing and the commencement of dealings of the Shares on GEM
“Listing Date”	the date, expected to be on or around 27 July 2017, on which our Shares are listed and dealings of the Shares first commence on GEM
“Listing Division”	the Listing Division of the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the Main Board of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 30 June 2017, as supplemented, amended or otherwise modified from time to time

DEFINITIONS

“Mr. Chow”	Mr. Chow Luen Fat (周聯發), a Controlling Shareholder, an executive Director and the spouse of Ms. Cheng
“Ms. Cheng”	Ms. Cheng Ju Wen (鄭如雯), a Controlling Shareholder, a non-executive Director and the spouse of Mr. Chow
“NRMM Regulation”	Air Pollution Control (Non-road Mobile Machinery (Emission Regulation) (Chapter 311Z of the Laws of Hong Kong)
“Offer Price”	the final offer price per Offer Share (exclusive of a brokerage fee of 1.0%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of not more than HK\$0.44 per Offer Share and is expected to be not less than HK\$0.28 per Offer Share, to be agreed by us and the Sole Bookrunner (acting for itself and on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriter on behalf of our Company for cash at the Offer Price, as further described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Shares”	the 225,000,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Underwriter(s)”	the underwriter(s) that is/are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement to be entered into among our Company, the executive Directors, the Controlling Shareholder(s), the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Placing Underwriter(s), details of which are summarised in the section headed “Underwriting” of this prospectus
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force from time to time before 3 March 2014

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriter(s)) on or about the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date on which the Offer Price will be fixed, which is expected to be on or around Friday, 21 July 2017
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Public Offer Shares”	the 25,000,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as mentioned in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) in respect of the Public Offer named in the paragraph headed “Underwriting – Public Offer Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 14 July 2017 entered into among our Company, the executive Directors, the Controlling Shareholder(s), the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriter(s)
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the paragraph headed “History, reorganisation and group structure – Reorganisation” of this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Share(s)”	ordinary share(s) with a nominal or par value of HK\$0.01 each in our share capital
“Shareholder(s)”	holder(s) of Share(s)
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 30 June 2017, the principal terms of which are summarised in the section headed “Statutory and general information – D. Other information – 1. Share Option Scheme” in Appendix IV to this prospectus
“Sole Bookrunner” or “Sole Lead Manager” or “Southwest HK Brokerage”	Southwest Securities (HK) Brokerage Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Sole Sponsor”	Asian Capital (Corporate Finance) Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO, acting as the sole sponsor to the Listing
“Southwest HK Capital”	Southwest Securities (HK) Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules, unless the context otherwise requires
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Success Sky”	Success Sky Corporation Limited (天全有限公司), a company incorporated in Hong Kong with limited liability on 7 October 2010 and is a direct wholly-owned subsidiary of TLMC Company Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Tak Lee Machinery”	Tak Lee Machinery Company Limited (德利機械有限公司) a company incorporated in Hong Kong with limited liability on 5 March 2001 and is a direct wholly-owned subsidiary of TLMC Company Limited

DEFINITIONS

“TLMC Company Limited”	TLMC Company Limited, a company incorporated in the BVI with limited liability on 4 January 2016 and is a direct wholly-owned subsidiary of the Company
“Track Record Period”	the two financial years ended 31 July 2016 and the six months ended 31 January 2017
“Underwriter(s)”	the Public Offer Underwriter(s) and the Placing Underwriter(s)
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“United States” or “U.S.”	the United States of America
“USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933 (as amended from time to time)
“ 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
“Yen” or “JPY”	Japanese yen, the lawful currency of Japan
“%”	per cent.

Certain figures set out in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this prospectus for identification purpose only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.

GLOSSARY OF TECHNICAL TERMS

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

“Budget Speech”	annual budget speech by the Financial Secretary of Hong Kong
“CIF”	cost, insurance and freight
“Contractors’ All Risk”	insurance covering on an all-risk basis for property damage, bodily injury or death of a third party whilst our customers are carrying out work
“Dry or wet hire”	leasing of equipment with or without an operator
“ODM”	original design manufacturing, where a manufacturer designs and manufactures a product which is specified by the customer and eventually sold under the brand name of the customer
“NRMM”	Non-road Mobile Machinery
“OEM”	original equipment manufacturing, whereby products are manufactured in accordance with the customer’s design and specifications and are marketed and sold under the customer’s brand name
“Plant All Risk”	insurance covering on an all-risk basis for the loss and/or damage to the heavy equipment owned by our Group whilst being used on site, in transit or being stored
“QPME”	Quality Powered Mechanical Equipment, a type of heavy equipment item that is benchmarked as new, notably quieter, more environmentally friendly and efficient by QPME Label
“QPME Equipment”	fifteen types of common use heavy equipment eligible for QPME Label application, including (i) tracked bulldozer; (ii) wheeled bulldozer; (iii) tracked loader; (iv) wheeled loader; (v) excavator; (vi) generator; (vii) mobile crane; (viii) vibratory roller; (ix) road roller; (x) asphalt paver; (xi) vibratory compactor; (xii) power rammer; (xiii) hand held percussive breaker; (xiv) air compressor; and (xv) concrete crusher. Excavators, loaders and dozers with output power equal to or more than 500 kilowatt or generators with output power equal to or more than 400 kilowatt are generally not eligible for QPME Label application

GLOSSARY OF TECHNICAL TERMS

“QPME Label”	Quality Powered Mechanical Equipment label, applied by either the equipment supplier or the owner and granted by the Environmental Protection Department of the Hong Kong Government as recognition
“SGS”	SGS United Kingdom Limited, an inspection, verification, testing and certification company

FORWARD-LOOKING STATEMENTS

This prospectus contains, and the documents incorporated by reference herein may contain, forward-looking statements representing our goals, belief, expectations or intentions for the future, and actual results or outcomes may differ materially from those expressed or implied. Such forward-looking statements are subject to certain risks, uncertainties and assumptions. Forward-looking statements typically can be identified by the use of words such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “intend”, “may”, “ought to”, “plan”, “potential”, “project”, “seek”, “should”, “will”, “would” and other similar terms. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, but not limited to, statements relating to:

- our business and operating strategies and the various measures we use to implement such strategies;
- our dividend distribution plans;
- our planned use of proceeds;
- our operations, business and financial prospects, including development plans for our business and future cashflows;
- our capital commitment plans;
- the future developments and competitive environment of the industry which we operate in;
- the regulatory environment as well as the general industry outlook for the industry which we operate in;
- relationships with parties we contract and collaborate with to conduct our business;
- risks identified under the section headed “Risk factors” in this prospectus; and
- general economic trends.

The words “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “intend”, “may”, “ought to”, “plan”, “potential”, “project”, “seek”, “should”, “will”, “would” and other similar expressions, as they relate to us (other than in relation to our profits, results of operations and earnings), are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Please refer to the sections headed “Risk factors”, “Business” and “Financial information” of this prospectus for more details.

FORWARD-LOOKING STATEMENTS

Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from the goals we have expressed or implied in these forward-looking statements. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events.

Except as required by applicable laws and regulations, including the GEM Listing Rules, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should not place undue reliance on any forward-looking information.

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

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, the following risks and special considerations associated with an investment in the Offer Shares. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or the trading price of the Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our business operations rely heavily on our dealerships and distributorships granted by heavy equipment manufacturers.

The majority of our revenue was generated from our sales of heavy equipment and spare parts. A substantial part of the revenue generated from our sales was from selling new heavy equipment and spare parts under our dealership and distributorship agreements. For each of the two years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, the total revenue under all our dealership and distributorship agreements amounted to approximately HK\$160.4 million, HK\$132.8 million and HK\$38.0 million, representing approximately 53.3%, 41.4% and 29.0% of our total revenue respectively. In particular, *Hitachi* equipment has been the brand of products we sold most during the Track Record Period. Our revenue from the sales of *Hitachi* products under the dealership with HCS was approximately HK\$139.7 million, HK\$123.5 million and HK\$35.4 million for each of the two years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, respectively, which was equivalent to approximately 46.4%, 38.5% and 27.1% of our total revenue for the respective periods.

Our dealership and distributorship rights are governed by our agreements with the manufacturers. For further details of the dealership and distributorship agreements, please refer to the section headed “Business – Suppliers and procurement – Dealership and distributorship” of this prospectus.

Although we have been the only authorised dealer of *Hitachi* brand of new heavy equipment in Hong Kong and Macau as at the Latest Practicable Date, our dealership agreement with HCS is non-exclusive in nature. Under such arrangement, additional dealers can be appointed by HCS for the dealership of the same products and compete with our Group in Hong Kong and Macau. The appointment of any additional HCS dealers in the same markets may intensify the competition, which may adversely affect the profitability and the financial performance of our Group.

Moreover, some of our dealership or distributorship agreements, including the one with HCS, stipulated the circumstances in which the respective agreements can be terminated. For instance, failure to meet the required minimum purchase commitment may result in the loss of the exclusive status of distributorship or even the termination of the agreement. There is no assurance that we can meet the required minimum purchase commitment to avoid our dealership or distributorship agreements being terminated.

RISK FACTORS

As at the Latest Practicable Date, we have entered into four dealership or distributorship agreements with heavy equipment manufacturers, two of which will expire in December 2017. If any of these heavy equipment manufacturers terminate the agreement, or, at the expiry of the agreement, elect not to renew or not to renew such agreement under the same or better terms, it may take time for our Group to identify and negotiate with other heavy equipment manufacturers to conclude similar dealership and distributorship. In such circumstances, our results of operations, financial condition and growth prospects could be materially and adversely affected.

We depend on suppliers for products to sell and to lease, and we may face shortage or delay in supply, or deterioration in the quality of such products.

We rely on our suppliers, which include heavy equipment manufacturers, OEM and ODM partner, traders and auctions, for stable and timely delivery of heavy equipment and spare parts. For each of the two years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, our total purchase costs of heavy equipment and spare parts amounted to approximately HK\$214.4 million, HK\$230.8 million and HK\$96.2 million, respectively.

If there is any shortage of heavy equipment and spare parts, or material delay in delivery of the same by our suppliers, we may fail to supply the required products to our customers on time or at all. As a result, we may breach the terms of the contracts or agreements with our customers. In case of prolonged shortage of product supply or there is any deterioration in the quality of heavy equipment and spare parts from our suppliers, we may not be able to identify suitable alternatives of supply in a timely manner. In such event, our business reputation and financial results may be adversely affected.

We are exposed to foreign exchange risks.

We are exposed to foreign exchange risks, as there is a currency difference between our revenue receipts (which are denominated in HKD) and some of our payments for purchases (which are denominated in Yen, Euro, RMB and USD). At the same time, we have not used any derivative instruments in foreign currency to hedge the risk of foreign currency exchange fluctuations. In particular, our purchases which were settled in Yen amounted to approximately HK\$157.6 million, HK\$130.1 million and HK\$53.8 million, accounting for approximately 73.5%, 56.4% and 55.9% of our total purchases for each of the two years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, respectively.

Our Directors expect that we will continue to be exposed to foreign exchange risk arising mainly from the mismatch between the currency of our sales incomes and purchase costs. If there is any appreciation of the currency in which our purchase costs are incurred, such as Euro, Yen, RMB and USD, and if we are not able to pass on any increased costs to the extent to account for such appreciation, our profit margin and results of operation will be adversely affected.

We recorded a net foreign exchange gain of approximately HK\$7.2 million for the year ended 31 July 2015, a net foreign exchange loss of approximately HK\$7.3 million for the year ended 31 July 2016 and a net foreign exchange gain of approximately HK\$0.4 million for the six months ended 31 January 2017 from our operating activities. For the sensitivity analysis of our foreign currency risk, please refer to note 6 headed “Financial Risk Management – (a) Foreign currency risk – Sensitivity analysis” to the Accountants’ Report set out in Appendix I to this prospectus.

RISK FACTORS

Our existing customers may not rely on our sales and leasing services again in the future.

By its nature, heavy equipment is not consumable and our customers may not rely on our products and services on a regular basis. Therefore, consistent with the norm of the industry, our customers do not commit to long-term purchase or leasing arrangements with our Group. Furthermore, our customer base is relatively fragmented and we have to reach out to various industries and sectors for business opportunities. Therefore, in addition to attracting new customers, our performance and the growth of our business are necessarily dependent on the ability to retain existing customers. If we cannot retain our existing customers or attract new customers to generate sufficient revenue, our future growth prospects may be adversely affected.

We derive our revenue substantially in Hong Kong and any downturn in the Hong Kong economy could have a material adverse effect on our business and operating results.

Our business is based in Hong Kong and the majority of our customers operate in Hong Kong. Our performance and the growth of our business are necessarily dependent on the overall economy in Hong Kong. In addition, the Hong Kong economy depends in part upon the economic performance of the United States and the PRC, as well as other developed countries. There can be no assurance that future global events will not have an impact on the Hong Kong economy and our Group. Any economic downturn or recession in Hong Kong could lead to decline in demand for our products and services and our overall business and operating results may be adversely and materially affected.

We are exposed to risks in relation to the collectability of our trade receivables. If our customers default on their payments to us, our profitability and cash flow will be adversely affected.

We generally grant our customers a credit period of 30 to 90 days after the issue of invoices. As at 31 July 2015, 31 July 2016 and 31 January 2017, our recorded trade receivables amounted to approximately HK\$81.8 million, HK\$45.6 million and HK\$51.2 million respectively, and our allowance for doubtful debts amounted to approximately HK\$6.7 million, HK\$4.3 million and HK\$4.3 million respectively.

There is no assurance that our customers will settle our invoices on time and in full. If the financial position of any of our customers deteriorates, the risk of default on their payments to our Group will increase. For each of the two years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, our average trade receivables turnover days were 95 days, 73 days and 68 days respectively. The average trade receivables turnover days for the year ended 31 July 2015 were slightly longer than our usual permitted credit period of 90 days. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our profitability, working capital and cash flow.

RISK FACTORS

Our business performance is affected by our customers' preference between purchasing new and used equipment.

We maintain mostly used heavy equipment and some new heavy equipment for sales or leasing. The composition of market demand for new and used heavy equipment may change. Our business performance and profitability may be adversely affected if our customers prefer to purchase equipment with lower profit margin.

In addition, we adjust the number of new and used heavy equipment that we maintain in stock based on the expected demand of the relevant equipment. If we expect our customers to prefer used equipment to new equipment but our expectations differ from the market conditions, we may maintain more used equipment than required. Conversely, if we maintain insufficient used equipment as we expect our customers to prefer new equipment to used equipment but our expectation is different from the market conditions, we would maintain insufficient used equipment. In such circumstances, our operating results, financial condition and growth prospects may be adversely and materially affected.

Our success and business operations are largely dependent on our key personnel, senior management team and skilled employees and our ability to attract and retain talented personnel.

Our success and business operations are largely dependent on the expertise, experience and leadership of our executive Directors and our senior management team. Details of their expertise and experience are set out in the section headed "Directors and senior management" of this prospectus. The key personnel and senior management team of our Group are crucial to the Group's operations and financial performance.

We are also required to maintain a skilled work force due to the specialised nature of our services, for instance, our technicians and operators who possess experience and expertise in heavy equipment operations.

There is no assurance that we will be able to retain our key personnel and existing employees. If any of them is unable or unwilling to continue with their present positions, appropriate personnel may not be found to replace them in a timely manner. As a result, our business operations and future prospects may be materially and adversely affected.

If we fail to renew our tenancy agreement for our office and storage, our business operations may be disrupted.

Our workshop, warehouse facility and office are located at a parcel of land in Yuen Long in the New Territories under a tenancy agreement which shall end in May 2018. There is no assurance that we can renew the tenancy agreement upon its expiration. In the event that we are unable to renew the tenancy agreement, we may need to secure alternative premises. As storage facilities have to be located at a parcel of land which meets zoning and permitted land use requirements, we may not be able to secure suitable premises within a reasonable timeframe and at a commercially reasonable price. If we cannot renew our current tenancy agreement and/or cannot secure alternative premises when needed, our business operations may be disrupted, which may in turn adversely and materially affect our operating results and financial performance.

RISK FACTORS

Our insurance coverage may be inadequate to protect us from all potential claims and loss.

We face potential claims arising from our employees or third parties. Such claims may include personal injury, death or property damage resulting from the use of the heavy equipment we lease, sell or repair and from injuries caused in accidents in which our employees are involved and other employee-related matters. We also face the risk of loss or damage to our heavy equipment due to fire, flood, theft or other kinds of accidents in our day-to-day operations.

We maintain certain insurance for potential loss and claims arising from our operation, but the insurance we maintain may not cover certain kinds of loss or may not be sufficient to cover all of our potential loss and claims. For details of the insurance maintained by our Group, please refer to the section headed “Business – Insurance” of this prospectus.

If we face any loss that is not covered by our insurance policies, or the compensated amount under our insurance policy is significantly less than our actual loss or is not timely compensated, our business, financial condition and results of operations may be materially and adversely affected.

As our business is capital intensive, failure to manage our liquidity and cash flows or inability to obtain additional financing in the future may materially and adversely affect our business, results of operations and financial condition.

Our business is capital intensive in nature. We require a significant amount of capital for the expenditures on the purchase of heavy equipment, spare parts and other heavy equipment-related products. As at 31 July 2015, 2016 and 31 January 2017, the carrying amount of ready stock of heavy equipment amounted to approximately HK\$120.3 million, HK\$108.9 million and HK\$99.7 million, respectively.

We have relied on our internal cash, cash generated from our operations as well as external financings such as bank financing to fund our operations and expansion. There can be no assurance that our internal cash, the cash flow generated by our operations and our current bank financing will be sufficient to fund our future operations and expansion plans. We cannot assure you that we will be able to obtain further external financing on acceptable terms and reasonable cost, or at all. If we are unable to obtain further external financing in a timely manner and at a reasonable cost, the implementation of our expansion plans may be disrupted or delayed, thereby our competitive position and growth prospects may be adversely affected.

We may face cash flow shortfalls due to potential mismatch in time between receipt of payments from our customers and payments to our suppliers.

As at 31 July 2015 and 2016 and 31 January 2017, our cash at bank and cash on hand were approximately HK\$29.8 million, HK\$35.5 million and HK\$33.7 million respectively. As some of our customers may be notified at short notice that they are awarded with projects involving earthmoving operations and hence require the prompt provision of earthmoving equipment, based on our inventory control policy, we may purchase earthmoving equipment prior to receiving any purchase orders from or entering into any leasing agreements to ensure that we are equipped with a wide range and ready stock of earthmoving equipment. We may record significant cash outflow in anticipation of strong demand of equipment arising from upcoming projects. Such cash outflow for the purchase of equipment may be compensated by the cash inflow at a later time when the purchase order is placed by the customers, or when the monthly invoice is settled by the customers for the leased equipment.

RISK FACTORS

As at 31 July 2015 and 2016 and 31 January 2017, our trade payables amounted to approximately HK\$2.4 million, HK\$5.1 million and HK\$2.3 million, respectively, while our trade receivables amounted to approximately HK\$75.1 million, HK\$41.3 million and HK\$46.9 million, respectively. However, as compared to our trade payables turnover days for each of the two years ended 31 July 2016 and the six months ended 31 January 2017, which were 2 days, 5 days and 6 days, respectively, we have a comparatively longer trade receivables turnover days, which were 95 days, 73 days and 68 days for each of the two years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, respectively.

Given our inventory control policy and our offer of longer credit periods to our customers as compared to that granted by our suppliers, we may experience significant cash flow mismatch. There is no assurance that our cash flow management measures could function properly or at all. If there were any significant and substantial cash flow mismatch, we might have to raise funds by resorting to internal resources and/or banking facilities in order to meet our payment obligations in full and on time.

We experienced net operating cash outflow for the six months ended 31 January 2017.

We recorded net cash outflow from operating activities of approximately HK\$22.2 million for the six months ended 31 January 2017, which was principally attributable to the year-on-year increase in trade receivables amounted to HK\$5.5 million due to slow settlement from several customers and the Chinese New Year effect which generally slows down our collection process. Please refer to the section headed “Financial information – Liquidity and capital resources” of this prospectus for further details.

We may experience periods of net cash outflow from operating activities in the future. If we are unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. There is no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the required financing on terms acceptable to us, or at all at the material time.

Our ability to meet market demand for heavy equipment and spare parts is dependent in part on our ability to maintain a reasonable level of inventory of heavy equipment.

Our inventory control is based on the expected level of market demand from time to time. We aim to have an efficient management and control of our inventory and stock by maintaining a reasonable level of inventory as well as diverse models of heavy equipment and spare parts to timely respond to market demand.

We manage our inventory level based on forecasted demands according to, among others, our industry experience, previous dealing records, market evaluations and management. There is no assurance that the market demand will be the same as our expectation. If we overestimate the market demand and overstock our inventory, we may not be able to maintain the utilisation rate of our heavy equipment at an appropriate level. If we understock our inventory, we may not be able to meet the market demand. Any failure to maintain a reasonable level of inventory may cause us to forgo turnover, thus adversely affecting our reputation, results of operations and financial condition.

RISK FACTORS

We are exposed to risks related to litigious claims that may affect our operations and our financial position.

As a heavy equipment services provider, we are exposed to inherent risks of litigation claims customary to the industry. In carrying out our ordinary course of business, we may be subject to the risk of being named as a defendant in regulatory or legal actions, claims and/or disputes in connection with our business activities. Our technicians may be exposed to risks when carrying out his or her work and suffer personal injuries or death due to accidents or occupational diseases arising out of and in the course of their employment with us. They may, therefore, be entitled to claim damages against us under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) as well as under the common law. We may also be subject to adverse labour relations, and our employees may initiate employment-related claims. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any litigation dispute with our customers. If we are involved in any litigious claims, regardless of the insurance coverage and merits of any outstanding and potential claims, we may need to divert management resources and incur extra costs to handle these claims. If the litigious claims are successfully made against us, our corporate image and reputation may be adversely affected.

The success in the sales of our own-brand earthmoving equipment will be dependent on our marketing strategies and our ability to maintain and expand our sales network.

Apart from selling third-party branded heavy equipment, we started the sales of our own *TLMC* brand earthmoving attachment in January 2016 after engaging an Italy-based manufacturer to design and manufacture such earthmoving equipment on an OEM and ODM basis. Please refer to the section headed "Business – Suppliers and procurement – OEM and ODM partner" of this prospectus for further details of our own *TLMC* brand earthmoving attachment. Before January 2016, we had not manufactured or sold our own brand products and had no prior experience in promoting our own brand products. The success of the sale of our own-brand equipment will be subject to uncertainties and is dependent on our marketing strategies and our ability to maintain and expand our sales network in the long run.

There can be no assurance regarding the acceptance of our *TLMC* brand products by our customers. There are inherent market risks associated with new brand and product introductions, including uncertainties about marketing and consumer acceptance. If our marketing strategies fail to attract customers and if our existing customers or potential customers are unwilling to purchase our own-brand earthmoving attachment, we may expend resources in developing and marketing our own brand products which may not achieve expected sales levels and our growth prospects may be affected.

RISK FACTORS

Unauthorised use of our trademarks and the selling of counterfeit products carrying our brands or third party-owned brands could have a material and adverse effect on our business.

As at the Latest Practicable Date, our Group has two registered trademarks of “TLMC” in Hong Kong. Details of our registered trademarks are set out in the sub-section headed “B. Information about the business – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus. As we sell own-brand heavy equipment carrying such trademarks, the protection of our intellectual property rights is important to our success in generating revenue from the sale of our self-owned brand products. Unauthorised parties may infringe our intellectual property rights by using our trademark on counterfeit heavy equipment. This could harm our brand image and reputation, thereby adversely affecting our financial condition and results of operations.

There may also be sale of counterfeit heavy equipment which infringes the trademark of the international brands for which we act as the authorised dealer or distributor. Such infringement may result in the damage of the goodwill or a loss of consumer confidence in these international brands, thereby affecting our sales of the products of these international brands. Thereafter, our results of operations and financial condition would be adversely affected.

We may not be able to implement all or any of our business plans successfully.

Our Group has set out its future plans in order to achieve its business objectives in the section headed “Future plans and use of proceeds” of this prospectus. The future plans are developed based on a number of assumptions, forecasts, and commitments of our Group. Due to circumstances beyond our Group’s control, including many of the other risks as set out in this section, or for reasons that may render the assumptions and forecasts inoperable, there is no assurance that all or any of the future plans may be successfully implemented.

RISK RELATING TO OUR GROUP’S MARKET AND INDUSTRY

Our business is subject to the fast-changing environmental and health and safety laws and regulations that may result in liabilities and extra costs being incurred in complying with them, which could have a material and adverse effect on our operating results.

Our operations are subject to certain environmental and health and safety laws and regulations, details of which are set out in the section headed “Regulatory overview” of this prospectus. Amendments may be made to such environmental and health and safety laws and regulations from time to time. If more stringent requirements are imposed by laws and regulations in relation to our business, we may need to make significant capital or operating expenditures to comply with the new laws and regulations. In such circumstances, our operations and financial condition may be materially and adversely affected.

Delay in the commencement of public projects due to the economic, political and social conditions in Hong Kong may adversely affect our business and result of operations.

A number of our customers were contractors and subcontractors that were engaged in different public projects in Hong Kong to which our heavy equipment was supplied. Any delay in the commencement of public projects may adversely affect the demand of our heavy equipment.

RISK FACTORS

In recent years, the commencement of public projects have been delayed due to a number of reasons, including political filibustering by the committees of the Legislative Council of Hong Kong which resulted in the delay in the approval of the funding for public projects and protests or legal actions initiated by the affected citizens and entities. Various projects of the government and quasi-government organisations which could have been commenced were put on hold. As our operations are located in Hong Kong, any change in the political condition may affect the economy in Hong Kong, which may in turn adversely and materially affect our operations, operating results and financial condition.

Global financial crisis and economic downturn could adversely affect our business, liquidity, financial condition, results of operations and prospects.

The global financial crisis and economic downturn which commenced in 2008 and continued in 2009 and 2010 have adversely affected the economy and businesses around the world, including those in Hong Kong, the PRC and Macau. An economic downturn is usually characterised by, among others, higher rate of unemployment, lower corporate earnings, lower business investment and lower consumer spendings.

A global economic crisis will result in tightening in the credit markets, lower level of liquidity, increased rates of default and bankruptcy, increased level of intervention from the governments, decreased consumer confidence, overall decreased economic activity and high volatility in credit, equity and fixed income markets, all of which could inevitably result in the deterioration of the construction and civil engineering industries.

Moreover, the global financial crisis will result in the deterioration of the financial industry. As a result, our financing costs may be significantly increased and further external financing at commercially acceptable costs may be difficult to be obtained by us. Our operations, financial condition and business expansion may therefore be materially and adversely affected. We cannot predict any future global financial crisis, nor are we immune to the effects of the general worldwide economic downturn. Thus, there is an unpredictable future risk for our business in the event of a global financial crisis.

We face competition with existing and new heavy equipment dealers despite the entry barriers in the heavy equipment industry. The increased level of competition in the market we operate in may lead to a reduction of our market share and profits.

According to the Crowe Horwath Report, we were the largest player in the earthmoving equipment sales market in Hong Kong in 2015 and 2016. Despite the entry barriers in the heavy equipment industry in Hong Kong, including proven track record in the industry, experience and qualified staff, large capital investment, well-established relations with suppliers and integrated one-stop services, we will face competition with new entrants which can overcome these entry barriers.

We also face competition with existing market players which may have well-established relationships with their customers and also reputation in the heavy equipment services industry. As a result, we have to compete with such dealers in the market in different aspects, such as customer services, inventory control, capabilities of sales personnel and the selling prices of the heavy equipment. We expect that the intensity of the competition in our industry will be increased due to the increasing number of heavy equipment manufacturers and dealers in the market. Such competition may have an adverse impact on our market share, thereby affecting our turnover, profitability and our growth prospects.

RISK FACTORS

Our business is vulnerable to interruptions caused by health epidemics, fires, floods and other natural disasters event.

Our business could be materially and adversely affected by the outbreak of health epidemics such as H1N1, swine influenza, avian influenza, Severe Acute Respiratory Syndrome (“SARS”), influenza caused by H7N9 and H3N3, Ebola, or Middle East Respiratory Syndrome (“MERS”). Past occurrences of health epidemics, depending on their scale, have caused different degrees of damage to the local economy in Hong Kong. Any recurrence of H1N1, swine influenza, avian influenza, SARS, influenza caused by H7N9 and H3N3, Ebola, MERS or other health epidemics in our operation territories may lead to reschedule of or delay in projects which our products and services will be relied on and result in a deferral or even loss of anticipated revenue. Such future occurrence could severely disrupt our business planning and operations and adversely affect our results of operations.

Our operations are also vulnerable to interruption or damage caused by fires, floods, power losses, telecommunications failures, acts of war, human errors and similar events. If any of these events occur in the future, particularly in regions where we operate, our operations could be materially and adversely disrupted and affected due to loss of personnel, damage to property or decreased demand.

RISKS RELATING TO THE SHARE OFFER

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

Prior to the Share Offer, there has been no public market for our Shares. Following the completion of the Share Offer, the Stock Exchange will be the only market on which our Shares are listed. There is no guarantee that an active public trading market for our Shares will develop or be sustained after the Share Offer. In addition, we cannot assure you that the Shares will trade in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price will be determined by agreement between us and the Sole Bookrunner (for itself and on behalf of the Underwriters), and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares may be materially and adversely affected.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, such as general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the trading price performance of other companies in similar business may affect the trading price of the Shares. The performance and fluctuation of the market prices of other companies that have listed their securities in Hong Kong may also affect the volatility in the price of and trading volumes for our Shares. Recently, a number of companies have listed their securities, or are in the process of preparing for listing their securities in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards companies listed in Hong Kong and may consequently impact the trading performance of the Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

RISK FACTORS

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. For example, variations in our turnover, earnings and cash flow may result in substantial and sudden changes in the volume and trading price of our Shares.

The sale or availability for sale of substantial amounts of our Shares could also adversely affect the market price of our Shares.

Sales of substantial amounts of our Shares in the public market after the completion of the Share Offer, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our ability to raise capital through offerings of our Shares in the future.

The Shares held by certain Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in the section headed “Underwriting” of this prospectus. We are currently not aware of any intention of such Shareholders to dispose of their Shares after the expiry of the lock-up period, but we cannot assure you that they will not dispose of any Shares they may come to own in the future, nor can we predict what effect the future sale (if any) will have on the market price of our Shares.

Historical dividends are not indicative of our Group’s future dividends.

During the Track Record Period, we declared dividends of approximately HK\$8.1 million, HK\$59.5 million and HK\$nil for the two years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, respectively. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other things, our results of operations, cash flows and financial condition, cash requirements, the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors that our Directors deem relevant. There is no assurance that any dividends will be declared by our Group in the future, or that the amount of dividends declared by our Company in the future will be at a level comparable with that in the past.

You will incur immediate and substantial dilution and may experience further dilution in the future.

The Offer Price is higher than the net tangible asset value per Share. Therefore, investors of the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value to HK\$0.23 per Share or HK\$0.27 per Share based on the Offer Price at HK\$0.28 per Offer Share (being the low-end of the proposed Offer Price range) or HK\$0.44 per Share (being the high-end of the proposed Offer Price range), respectively.

In order to raise capital and expand our business, we may issue additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible assets book value per share of their Shares due to the additional Shares that we may issue in the future.

RISK FACTORS

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Laws and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of the Cayman Islands company law is set out in Appendix III to this prospectus.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Certain facts and statistics in this prospectus relating to Hong Kong, Hong Kong economy, Hong Kong heavy equipment market and Hong Kong heavy equipment industry may not be reliable.

Certain facts, forecast and other statistics in this prospectus relate to Hong Kong and the industry in which we operate. Such information have been derived from various government and official resources we generally believe to be reliable. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This prospectus contains certain statements that are "forward-looking" and uses forward-looking terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "intend", "may", "ought to", "plan", "potential", "project", "seek", "should", "will", "would" and other similar terms. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources. Investors of our Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect.

The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company's plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set out in this section. We do not intend to update these forward looking statements in addition to our on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward looking information.

RISK FACTORS

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer.

Prior to the publication of this prospectus, there may be press or other media coverage regarding our Group or the Share Offer, which may contain certain financial information, financial projections and other information about our Group that do not appear in this prospectus. We have not authorised the disclosure of any information in the press or media and we strongly caution you not to place any reliance on any such information. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we expressly disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, you should not rely on any such information in making your decision as to whether to subscribe for the Offer Shares. You should only rely on the information contained in this prospectus and the Application Forms.

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 (Winding Up and Miscellaneous Provisions) Ordinance, 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 to the public with regard to us. 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer, comprising the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in section headed “Structure and conditions of the Share Offer” in this prospectus. The Listing is sponsored by the Sole Sponsor and managed by the Sole Bookrunner. The Public Offer will be fully underwritten by the Public Offer Underwriter(s) under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriter(s)). The Placing will be fully underwritten by the Placing Underwriter(s) under the terms of the Placing Underwriting Agreement. For further details about the Underwriters and the Underwriting Agreements, please refer to the section headed “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Bookrunner (for itself and on behalf of the other Underwriter(s)) and our Company on the Price Determination Date, or such later date or time as may be agreed by the Sole Bookrunner (for itself and on behalf of the other Underwriters) and our Company. The Offer Price is currently expected to be not less than HK\$0.28 per Offer Share and not more than HK\$0.44 per Offer Share. The Sole Bookrunner (for itself and on behalf of the other Underwriter(s)) may reduce the indicative Offer Price range stated in this prospectus at any time prior to the Price Determination Date. In such case, a notice of the reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.tlmc-hk.com. If the Sole Bookrunner (for itself and on behalf of the other Underwriter(s)) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, or such later date or time as may be agreed between the Sole Bookrunner (for itself and on behalf of the other Underwriter(s)) and our Company, the Share Offer will not proceed.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SELLING RESTRICTIONS OF OFFER SHARES

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the related Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Offer Shares will be required to confirm, or by his/her acquisition of the Offer Shares be deemed to confirm, that he/she is aware of the restrictions on the offer of the Offer Shares described in this prospectus and/or the related Application Forms and that he/she is not acquiring, and has not been offered any such Offer Shares in circumstance that contravenes any such restrictions. Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

Prospective investors for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in the section headed “How to apply for Public Offer Shares” of this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

APPLICATION FOR LISTING ON GEM

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue and the Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on GEM pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

No part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or 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. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

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

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Thursday, 27 July 2017.

Shares will be traded in board lots of 10,000 Shares each and are freely transferable. The GEM stock code for the Shares is 8142.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

HONG KONG SHARE REGISTER AND STAMP DUTY

All of the Shares will be registered in our Company's branch register of members to be maintained in Hong Kong by the Hong Kong Branch Share Registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on GEM.

Our Company's principal register of members will be maintained by the principal share registrar and transfer office, Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Shares. None of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, agents, employees or advisers 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 for, purchase or holding of, or dealing in the Offer Shares.

LANGUAGE

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

ROUNDING

Any discrepancies in any table or chart between the totals and the sums of the amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality

Executive Directors

Mr. Chow Luen Fat (周聯發)	Unit 2, 30/F., Tower A, Queen's Garden, 9 Old Peak Road, Hong Kong	Chinese

Ms. Liu Shuk Yee (廖淑儀)	Flat D, 10/F., 8 Royal Green, 8 Ching Hiu Road, Sheung Shui, New Territories, Hong Kong	Chinese

Ms. Ng Wai Ying (吳慧瑩)	Room D, 59/F., Tower 2, Primrose Hill, 168 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong	Chinese

Non-executive Director

Ms. Cheng Ju Wen (鄭如雯)	Unit 2, 30/F., Tower A, Queen's Garden, 9 Old Peak Road, Hong Kong	Chinese

Independent non-executive Directors

Mr. Wong Man Hin Raymond (黃文顯)	1A, Devon Road, Kowloon Tong, Kowloon, Hong Kong	Chinese

Mr. Law Tze Lun (羅子麟)	Flat E, 60/F, Tower 10, Le Point, 8 King Ling Road, Tseung Kwan O, New Territories, Hong Kong	Chinese

Mr. Kwok Siu Man (郭兆文)	Flat A, 28/F, Tower 1B, The Wings IIIB, 19 Chi Shin Street, Tseung Kwan O, New Territories, Hong Kong	British

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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

PARTIES INVOLVED

Sole Sponsor

Asian Capital (Corporate Finance) Limited

A licensed corporation under the SFO 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

Suite 601, Bank of America Tower,
12 Harcourt Road,
Central, Hong Kong

Sole Bookrunner and Sole Lead Manager

Southwest Securities (HK) Brokerage Limited

A licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO

40/F., Lee Garden One,
33 Hysan Avenue,
Causeway Bay,
Hong Kong

Co-Managers

Aristo Securities Limited

A licensed corporation under the SFO to carry on Type 1 (dealing in securities) regulated activities under the SFO

Room 101, 1st Floor,
On Hong Commercial Building,
145 Hennessy Road,
Wan Chai,
Hong Kong

Founder Securities (Hong Kong) Limited

A licensed corporation under the SFO to carry on Type 1 (dealing in securities) regulated activities under the SFO

21st Floor,
33 Des Voeux Road Central,
Central,
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

As to Hong Kong law

Loeb & Loeb LLP

Solicitors, Hong Kong

21st Floor,

CCB Tower,

3 Connaught Road Central,

Hong Kong

As to Cayman Islands law

Conyers Dill & Pearman

Cayman Islands attorneys-at-law

Cricket Square

Hutchins Drive,

PO Box 2681,

Grand Cayman, KY1-1111,

Cayman Islands

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

As to Hong Kong law

Kwok Yih & Chan

Solicitors, Hong Kong

Suites 2103-05, 21st Floor,

9 Queen's Road Central,

Hong Kong

Reporting accountants

RSM Hong Kong

Certified Public Accountants

29/F, Lee Garden Two,

28 Yun Ping Road,

Causeway Bay, Hong Kong

Receiving bank

Standard Chartered Bank (Hong Kong) Limited

15/F Standard Chartered Tower,

388 Kwun Tong Road,

Kwun Tong,

Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands
Headquarters and principal place of business in Hong Kong	DD 111, Lot No.117, Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong
Company website	http://www.tlmc-hk.com/ <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Ms. Ng Wai Ying (CPA, FCCA) Room D, 59/F., Tower 2, Primrose Hill, 168 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong
Authorised representatives	Mr. Chow Luen Fat Unit 2, 30/F., Tower A, Queen's Garden, 9 Old Peak Road, Hong Kong Ms. Ng Wai Ying (CPA, FCCA) Room D, 59/F., Tower 2, Primrose Hill, 168 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong
Compliance officer	Ms. Ng Wai Ying Room D, 59/F., Tower 2, Primrose Hill, 168 Kwok Shui Road, Tsuen Wan, New Territories, Hong Kong
Audit committee	Mr. Law Tze Lun (Chairman) Mr. Wong Man Hin Raymond Mr. Kwok Siu Man

CORPORATE INFORMATION

Remuneration committee	Mr. Wong Man Hin Raymond (<i>Chairman</i>) Mr. Kwok Siu Man Mr. Law Tze Lun
Nomination committee	Mr. Kwok Siu Man (<i>Chairman</i>) Mr. Law Tze Lun Mr. Wong Man Hin Raymond
Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Compliance adviser	Southwest Securities (HK) Capital Limited 40/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Principal bankers	Standard Chartered Bank (Hong Kong) Limited 13/F, Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong Hang Seng Bank Limited 20/F, 83 Des Voeux Road Central, Hong Kong

INDUSTRY OVERVIEW

The information set out in this section has been derived from the Crowe Horwath Report. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no material fact has been omitted. However, the information has not been independently verified by us, nor by the Sole Sponsor, the Sole Lead Manager, the Underwriters or any of their affiliates or advisors, or any other party involved in the Share Offer other than Crowe Horwath with respect to the information contained in the Crowe Horwath Report. No representation is given as to the accuracy of the Crowe Horwath Report. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics. After taking reasonable care, our Directors confirm that there has been no adverse change in the information since the date of the Crowe Horwath Report up to the date of this prospectus.

SOURCE OF INFORMATION

We commissioned Crowe Horwath, an independent professional market research company, to assess the industry development trends, market demand and competitive landscape of heavy equipment industry in Hong Kong, at a fee of HK\$320,000. Information disclosed in this section has been derived from the Crowe Horwath Report.

Crowe Horwath's research methodology includes both primary research and secondary research. During its research, Crowe Horwath obtained knowledge, statistics, information, and industry insights on the market trends within the heavy equipment service industry in Hong Kong. Crowe Horwath's primary research involved client consultation, interviewing leading industry players and third-party industry organisations. Crowe Horwath's secondary research involved the reviewing of company annual reports, financial statements, public circulars, paid database, independent research reports as well as its proprietary database. Projected data was prepared from historical data analyses, compared with industry growth drivers as well as key macroeconomic data, such as the budget for infrastructure projects in Hong Kong and the competitiveness within the heavy equipment service industry.

The following parameters were considered when analysing the market size of heavy equipment industry and projection model of the Crowe Horwath Report: (i) the GDP growth rates in Hong Kong from 2011 to 2016; (ii) the number of on-going public infrastructure projects in Hong Kong as at 2016; (iii) the number of announced public infrastructure projects in Hong Kong from 2017 to 2020; and (iv) the budgets and progress of public infrastructure projects in Hong Kong as at 2016.

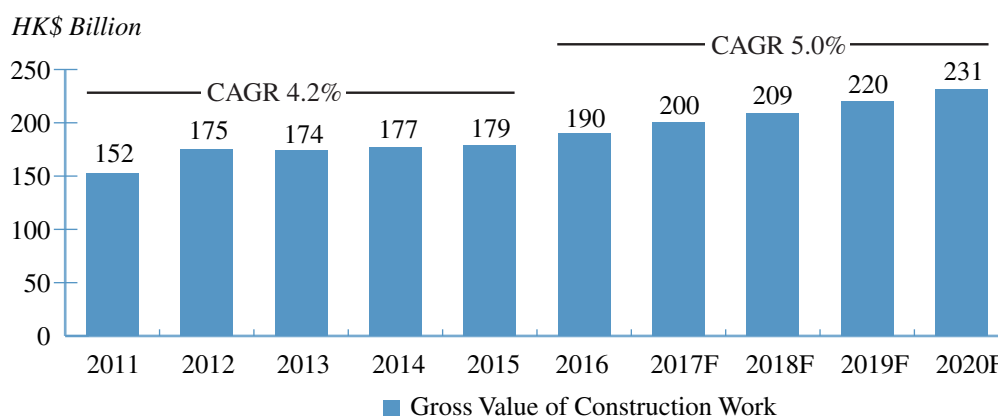
For market ranking, the reported ranking of heavy equipment service providers has been determined via a fieldwork programme consisting of desk research and interviews. While financial data was available for some of the companies, the revenue numbers are not typically broken into the relevant categories covered. Crowe Horwath has determined the rankings based on estimates provided by various sources and concluded consensus on these estimates.

INDUSTRY OVERVIEW

The Crowe Horwath Report was prepared on the following assumptions: (i) the economy of Hong Kong is expected to maintain steady growth during the forecast period from 2017 to 2020; (ii) Hong Kong's social, economic and political environment is expected to remain stable during the forecast period; and (iii) the planned infrastructure projects can be implemented as scheduled.

MARKET OVERVIEW OF CONSTRUCTION INDUSTRY IN HONG KONG

Heavy equipment is widely used in civil engineering, quarrying, construction, seaway, land reclamation, municipal waste treatment, metal recycling, tunnel and landscaping works. Therefore, to some extent, the heavy equipment service industry is influenced by the construction industry in Hong Kong. From 2011 to 2015, the construction industry in Hong Kong performed well, during which the gross value of construction work attained a CAGR of 4.2% recorded as HK\$179 billion in 2015 and is expected to grow at a CAGR of 5% from 2016 to 2020. The graph below sets out the gross value of construction work in Hong Kong from 2011 to 2015, and the forecast period from 2016 to 2020.



Source: Hong Kong Construction Industry Council, Crowe Horwath Report

Government spending on infrastructure is a major growth driver of the construction industry. The Hong Kong government announced the ten major infrastructure projects in the 2007-2008 Policy Address. The ten major infrastructure projects are being implemented and boosted the infrastructure investment significantly in the past few years. The Hong Kong government estimated the public expenditure on infrastructure will reach HK\$89.3 billion in 2017-2018, as stated in the 2017-2018 Budget Speech.

INDUSTRY OVERVIEW

The following table sets out the major infrastructure projects in Hong Kong commenced in the last few years:

Project	Estimated Cost (HK\$ Billion)	Commencement Year	Completion Year	Description
South Island Line East	17	2011	2016	Linking Admiralty to the Southern District on Hong Kong Island
Hong Kong-Zhuhai-Macau Bridge	36	2009	2017	Series of bridges and tunnels crossing the Lingdingyang channel to connect Hong Kong, Macau and Zhuhai
Tuen Mun Western Bypass and Tuen Mun Chek Lap Kok Link	45	2011	2017	Linking Northwest New Territories, Deep Bay and Hong Kong International Airport
Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section)	85	2010	2018	Connect Kowloon with the high-speed rail network of China
Shatin to Central Link	80	2012	2018-2021	Connect New Territories and Hong Kong Island
Hong Kong-Shenzhen Joint Development of the Lok Ma Chau Loop	N/A	2011	2020	Consolidate the strategic position of Hong Kong and Shenzhen and develop the loop to meet the future needs
Kai Tak Development	13	2009	2021	Develop a distinguished, vibrant, attractive and people-oriented community supporting residence, recreation and tourism
New Development Areas	N/A	2008	2024 (first phase)	Provide quality living space
Hong Kong-Shenzhen Airport Cooperation	N/A	2008	2020-2030	Connect flights between Hong Kong and Shenzhen International Airport
West Kowloon Cultural District	29+	2008	2020-2030 (two phases)	Form an international-grade arts and culture hub for education, cultural exchange and cooperation

Source: Government of Hong Kong, 2007-2008 Policy Address

In addition to the above, the Hong Kong government also initiated several other large-scale infrastructure projects, which are set out below:

- Third Runway System of the Hong Kong International Airport;
- The Hung Shui Kiu New Development Area;
- North East New Territories New Development Areas;
- The Tung Chung New Town Development Extension;

INDUSTRY OVERVIEW

- The North Commercial District at the Hong Kong International Airport;
- The “3+1” Plan: Three Landfill Site Extension and one Incinerator Construction;
- Island Eastern Corridor Link;
- Tseung Kwan O-Lam Tin Tunnel and Route 6 Development;
- Revitalising Historic Building; and
- Operation Building Bright.

MARKET OVERVIEW OF HEAVY EQUIPMENT SERVICE INDUSTRY IN HONG KONG

It is expected that the heavy equipment industry in Hong Kong will have growth potential in the coming future, largely because of a good number of construction projects promised by the market. This, in turn, provides business opportunities to heavy equipment service providers.

As foreign heavy equipment manufacturers generally do not set up local offices in Hong Kong, it is common for them to assign dealership or distributorship rights to local heavy equipment service providers. Normally, the foreign heavy equipment manufacturers consider the following aspects of local heavy equipment service providers before entering into dealership or distributorship arrangements:

- good industry reputation and proven track records;
- scale of operation and established market share;
- established customer base;
- competent management team;
- competent technical support team and ability to provide value-added after sales service in a timely manner; and
- consistent compliance with applicable laws and regulations.

INDUSTRY OVERVIEW

Classification of heavy equipment

Heavy equipment is widely used in civil engineering, quarrying, construction, seaway, land reclamation, municipal waste treatment, metal recycling, tunnel and landscaping works. In general, heavy equipment can be classified, based on its functionality, into the following categories:

Category	Definition	Examples
Earthmoving equipment	Heavy equipment primarily used for excavating, loading, transporting, spreading, levelling, mixing and compacting large quantities of earth in earthwork operation.	Excavator, crawler loader, bulldozer, wheel loader, telescopic clamshell, vibratory roller, off-road dump truck, side dump truck, articulated dump truck, hydraulic breakers, hydraulic crushers, multiprocessor, rock splitter, fork, vibration ripper, vibration hammer, hydraulic shears, pulverisers
Foundation equipment	Heavy equipment primarily used in early stages of projects such as piling and site formation.	Casing rotator, hydraulic drilling rig, casing oscillator, pile bearing equipment
High reach equipment	Heavy equipment used to provide temporary access for people or equipment to high areas.	Diesel/electric scissor lift, man lift, articulated boom lift, crawler telescopic boom lift
Lifting equipment	Heavy equipment used in construction sites to move heavy objects and used in various stages of construction projects.	Crawler crane, mini crawler crane, all terrain crane, telescopic hydraulic crane, truck crane, knuckle crane, mobile crane
Metal recycle equipment	Heavy equipment used to handle metal material for recycling purpose.	Lifting magnet, lifting magnet with fork, wheeled material handling machine, material handling machine, fork grapple
Material handling equipment	Heavy equipment used to provide short-distance movement within a facility or at a site.	Diesel/electric forklift, telehandler, skid loader, wheel loader, crawler loader
Power and energy equipment	Heavy equipment provide energy/power for operation or illumination within a facility or at a site.	Silent diesel generator, diesel/electric air compressor, diesel welder, diesel light tower

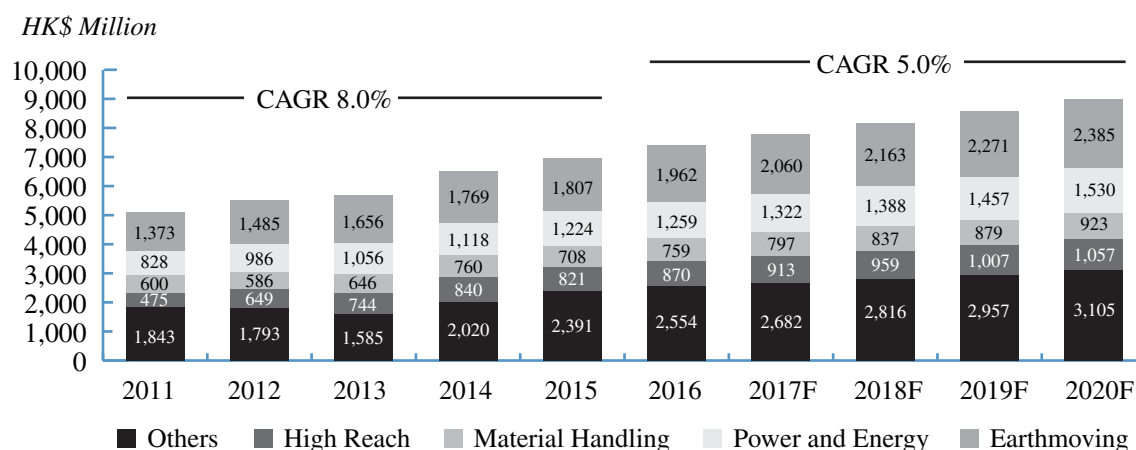
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Market size analysis of the heavy equipment industry in Hong Kong

Prompted by the commencement of major infrastructural construction projects in Hong Kong from 2008, and partially due to the stimulated economic policies implemented by the PRC government during 2009 and 2010, the heavy equipment industry in Hong Kong expanded during 2010 and 2011.

From 2011 to 2015, the total revenue of the heavy equipment industry in Hong Kong grew at a CAGR of 8.0%, from approximately HK\$5,119 million to approximately HK\$6,952 million. In line with the growth of the construction industry, the total revenue is expected to grow at a CAGR of 5.0% from 2016 to 2020, reaching approximately HK\$9,000 million in 2020. In particular, it is expected to show a considerable growth in 2016 and 2017 due to the construction of the third runway of the Hong Kong International Airport.

Revenue of Heavy Equipment Market in Hong Kong



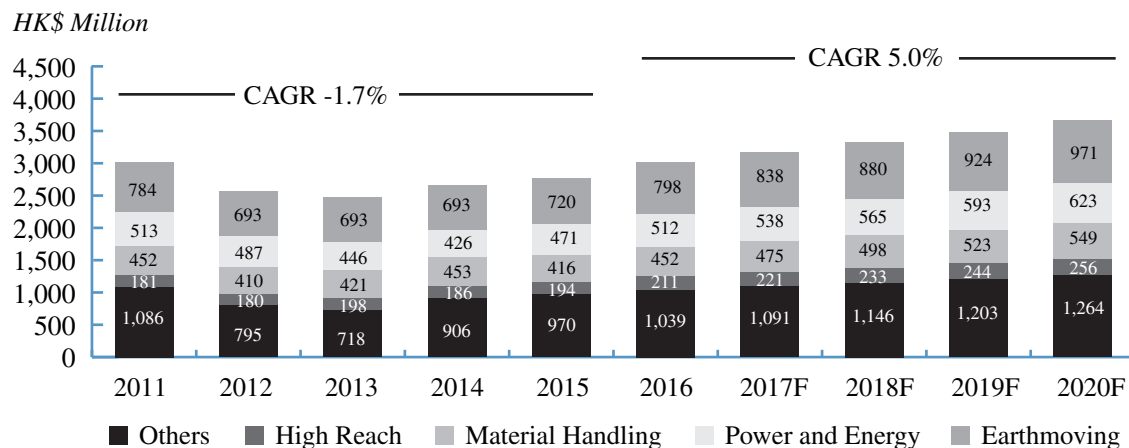
Source: Crowe Horwath Report

Note: The revenue includes both sales revenue and lease revenue of heavy equipment.

From 2011 to 2015, the sales revenue of heavy equipment maintained at a range from approximately HK\$2,476 million to approximately HK\$3,016 million. According to the Crowe Horwath Report, the sales revenue of heavy equipment is expected to maintain a CAGR of 5.0% from 2016 to 2020, reaching approximately HK\$3,663 million in 2020.

INDUSTRY OVERVIEW

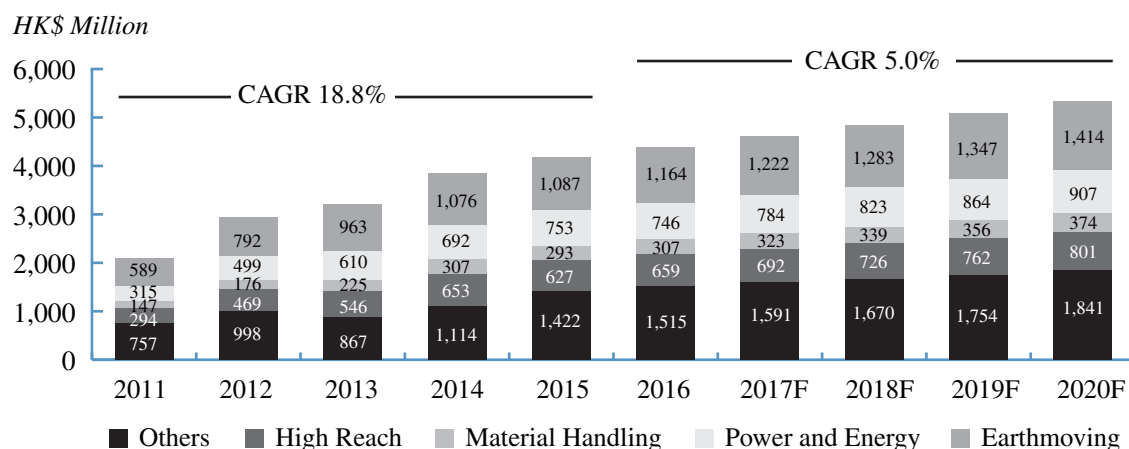
Sales Revenue of Heavy Equipment Sales Market in Hong Kong



Source: Crowe Horwath Report

From 2011 to 2015, the lease revenue of heavy equipment grew at a CAGR of 18.8%, from approximately HK\$2,103 million to HK\$4,182 million. According to the Crowe Horwath Report, the lease revenue of heavy equipment is expected to maintain a CAGR of 5.0% from 2016 to 2020, reaching approximately HK\$5,337 million in 2020.

Lease Revenue of Heavy Equipment Leasing Market in Hong Kong



Source: Crowe Horwath Report

It is notable that there has been a growth in the demand of leased equipment in recent years and the lease revenue of heavy equipment is taking up higher portion of the whole heavy equipment market; from 2011 to 2015, its contribution to the heavy equipment market grew from approximately 42% to 60%. According to the Crowe Horwath Report, it is expected to maintain at approximately 59% from 2016 to 2020.

INDUSTRY OVERVIEW

Earthmoving equipment market in Hong Kong

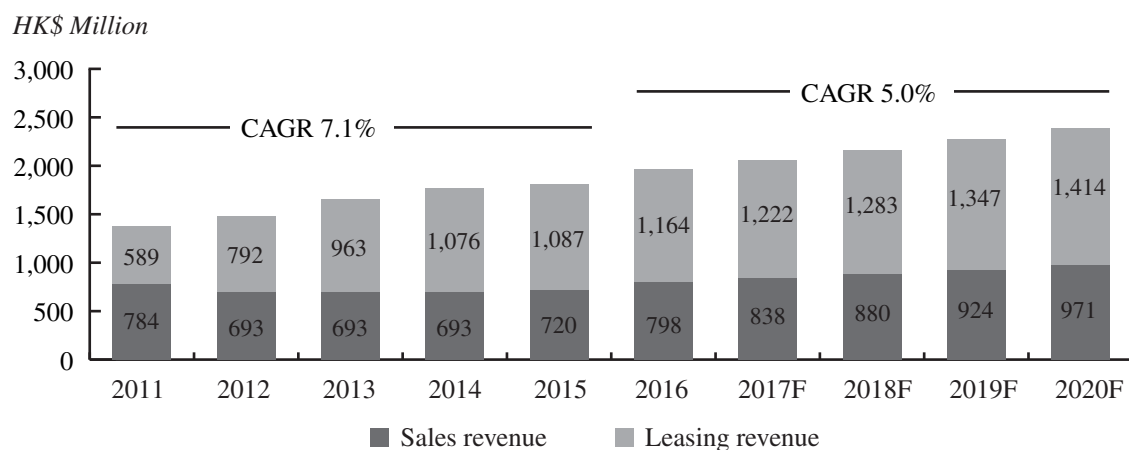
As a type of heavy equipment, earthmoving equipment is usually designed specially for executing earthwork operation, in particular, in construction projects. It comes into play during the excavation and site formation stage of any construction project and helps to form the land to the required orientation, shape or levels in order to accommodate facilities and structures.

Earthmoving equipment usually plays a more important role in certain infrastructure projects which requires shifting large amounts of earth or digging foundations and landscape areas. In Hong Kong, such projects typically include construction of railway stations, facilitate tunnel digging in construction railway lines, and land reclamation projects.

Since construction industry in Hong Kong is expected to maintain its dominance in the demand of earthmoving equipment, the scheduled major infrastructure projects by Hong Kong Government, such as the Third Runway System for the Hong Kong International Airport and the Guangzhou-Shenzhen-Hong Kong Express Rail Link, create opportunities for earthmoving equipment market in Hong Kong. For further details, please refer to the paragraph headed “Market overview of construction industry in Hong Kong” in this section of the prospectus.

From 2011 to 2015, the total revenue of earthmoving equipment grew at a CAGR of approximately 7.1%, from approximately HK\$1,373 million to approximately HK\$1,807 million. According to the Crowe Horwath Report, the total revenue of earthmoving equipment is expected to maintain a CAGR of 5.0% from 2016 to 2020 reaching approximately HK\$2,385 million in 2020.

Market Size analysis of the Earthmoving Equipment Market in Hong Kong



Source: Crowe Horwath Report

Note: Market size of heavy equipment sales, heavy equipment leasing, including earthmoving equipment sales and earthmoving equipment leasing market, is estimated by summing up each segment's revenue. Each segment's revenue is estimated by multiplying the output value of construction with respective percentage.

The leasing revenue of earthmoving equipment was the main driver for the growth in total revenue of earthmoving equipment; from 2011 to 2015, the leasing revenue of earthmoving equipment grew at a CAGR of 16.6%, while the sales revenue experienced a slight drop.

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Faster growth in revenue has been observed in leasing market from 2011 to 2015. Generally speaking, leasing equipment is advantageous as it provides more flexibility and requires less initial capital investment. In smaller projects or projects lasts a shorter time, customer would incur lower cost to lease equipment rather than purchase heavy equipment. Further, leasing equipment saves more in the case of larger multi-functional earthmoving equipment. Therefore heavy equipment users may not always opt for the purchase of heavy equipment, they may rely on leasing services of service providers.

Besides, customers can save maintenance cost from leasing earthmoving equipment, as they do not need to maintain large in-house support team for leased equipment. In contrast, customers easily get high quality technical support from professional service providers when needed. This also contributed to the growth of leasing market.

In addition, the promotion of certain regulation had a positive impact on the leasing market. For example, NRMM Regulation became effective in June 2015. Under the NRMM Regulation, all regulated machines, including excavator, shall comply with the prescribed emission standards. Concerning the extra investment cost and administrative cost, many customers chose to lease earthmoving equipment rather than conduct an upgrade. This further boosted the leasing market, especially for those customers who does not own earthmoving equipment that qualified under the NRMM Regulation.

According to the Crowe Horwath Report, in 2016 the combined budget of top 10 ongoing infrastructure projects in Hong Kong is approximately HK\$460 billion, with expected average construction period of approximately 7.5 years; while in 2020, the combined budget of top 10 ongoing infrastructure projects in Hong Kong is estimated to be HK\$320 billion, with expected average construction period of approximately 6 years. Given the expected increase in the leasing market and the decrease in the combined budget of top 10 ongoing infrastructure projects, Crowe Horwath is in the opinion that there is a trend that more smaller-scale infrastructure projects will commence in Hong Kong in the next few years. Given the project cycle of those projects will be relatively shorter, it is expected that the demand of earthmoving equipment leasing market will increase accordingly.

COMPETITIVE LANDSCAPE

The heavy equipment service industry in Hong Kong is quite fragmented, with 100 to 150 companies sharing approximately HK\$7.4 billion total revenue of the industry in 2016. Most companies in Hong Kong realised revenue over HK\$10 million and some of them reached more than HK\$100 million. The ranking of heavy equipment service providers, in the terms of revenue generated, is not available due to the scattered information.

While we are one of the major heavy equipment service providers, we have special focus on earthmoving equipment. Meanwhile, it is estimated that 30 to 40 companies shared the Hong Kong earthmoving equipment market of approximately HK\$1,962 million in 2016. Depending on their needs and financial capabilities, the customers for the earthmoving equipment can choose to purchase or rent the earthmoving equipment. In 2016, the sale of earthmoving equipment in Hong Kong amounted to approximately HK\$798 million while the leasing value of earthmoving equipment in Hong Kong amounted to approximately HK\$1,164 million.

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Top Five Players for Earthmoving Equipment Sales Market

Rank	Company	2016 Revenue HK\$ Million	Market Share
1	Our Group	278	35%
2	Competitor A	118	15%
3	Competitor B	90	11%
4	Competitor C	71	9%
5	Competitor D	65	8%
	Others	176	22%
	Total	798	100%

Source: Crowe Horwath Report

Rank	Company	2015 Revenue HK\$ Million	Market Share
1	Our Group	242	34%
2	Competitor A	98	14%
3	Competitor B	72	10%
4	Competitor C	65	9%
5	Competitor D	50	7%
	Others	193	26%
	Total	720	100%

Source: Crowe Horwath Report

In the earthmoving equipment sales market, the top five largest market players accounted for approximately 74% and 78% of the market by revenue in 2015 and 2016 respectively, while we, being the top market player, took up approximately 34% and 35% of the market by sales revenue in 2015 and 2016 respectively.

Top Five Players for Earthmoving Equipment Leasing Market

Rank	Company	2016 Revenue HK\$ Million	Market Share
1	Competitor B	108	9%
2	Competitor C	97	8%
3	Competitor E	49	4%
4	Competitor F	41	4%
5	Competitor G	23	2%
	Others	846	73%
	Total	1,164	100%

Source: Crowe Horwath Report

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Rank	Company	2015 Revenue HK\$ Million	Market Share
1	Competitor C	95	9%
2	Competitor B	80	7%
3	Competitor E	53	5%
4	Competitor F	40	4%
5	Our Group	29	3%
	Others	790	72%
Total		1,087	100%

Source: Crowe Horwath Report

In the earthmoving equipment leasing market, the top five largest market players accounted for approximately 28% and 27% of the market by leasing value in 2015 and 2016 respectively, while we took up 3% and 1% of the market by leasing value in 2015 and 2016 respectively.

Top Five Manufacturers for Hong Kong New Earthmoving Equipment Sales Market which Granted Dealership or Distributorship Rights

Rank	Brands	2016 Revenue (HK\$ million)	Market Share
1	<i>Hitachi</i>	158	40%
3	<i>Doosan</i>	87	22%
2	<i>Caterpillar</i>	48	12%
4	<i>Kobelco</i>	40	10%
5	<i>Sumitomo</i>	28	7%
	Others	35	9%
	Total	396	100%

Source: Crowe Horwath Report

Key Brands

Background

<i>Hitachi</i>	Operated by a Japanese heavy equipment manufacturer. The manufacturer is listed in the Tokyo Stock Exchange and its main products include excavators, wheel loaders, and dump trucks.
<i>Doosan</i>	Operated by a Korean heavy equipment manufacturer. The manufacturer is listed on the Korean Stock Exchange and its main products include dump trucks, excavators, material handlers, and ancillary attachments.
<i>Caterpillar</i>	Operated by an American heavy equipment manufacturer. The manufacturer is listed on the New York Stock Exchange and its main products include articulated trucks, asphalt pavers, excavators, and backhoe loaders.
<i>Kobelco</i>	Operated by a Japanese heavy equipment manufacturer. The manufacturer is one of the Fortune 500 Companies. Its main products include excavators and cranes.
<i>Sumitomo</i>	Operated by a Japanese heavy equipment manufacturer. The manufacturer provides heavy equipment products such as excavators, asphalt paver and ancillary parts.

Source: Crowe Horwath Report

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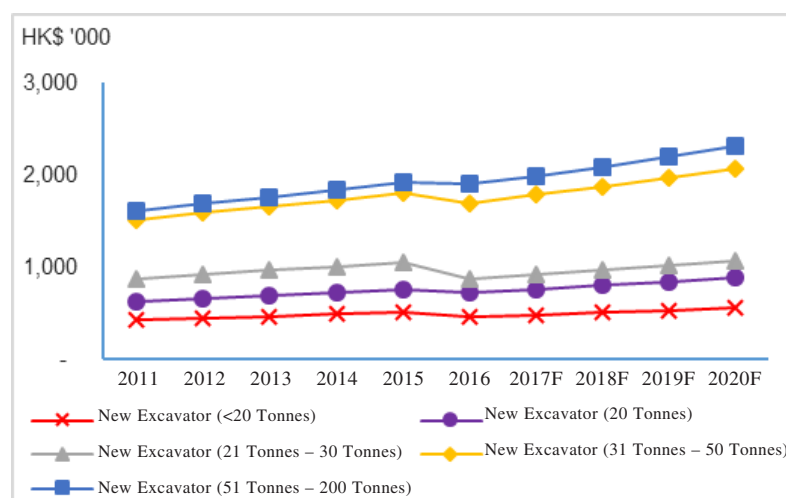
In new earthmoving equipment sales market, the combined market share of the top five manufacturers for Hong Kong which granted dealership or distributor rights, by revenue, is approximately 91%. The combined market share of the manufacturers that our Group has obtained dealership rights, by revenue, is approximately 40%. Among the top five manufacturers, our Group has obtained dealership right from the manufacturer of *Hitachi*.

PRICE TREND ANALYSIS

The price of heavy equipment varies greatly due to the difference in machine category, capacity and model. Excavator is a representative earthmoving equipment in Hong Kong market. The widely used excavator in Hong Kong are small sized to medium sized, ranging from 10 tonnes to 50 tonnes in terms of total weight. These excavators offer a balance between excavation capacity and manoeuvring flexibility. Large excavators are usually used in mining sites, which less commonly seen in Hong Kong, and mini excavators are more often used for smaller miscellaneous projects.

In our research, we have selected excavators (i) under 20 tonnes; (ii) 21 tonnes to 30 tonnes; (iii) 31 tonnes to 50 tonnes, and (iv) 51 tonnes to 200 tonnes capacity as the basis for the price analysis. Generally speaking, the price for purchasing excavators in Hong Kong increased at a CAGR of approximately 4.5% from 2011 to 2015, and is expected to grow at a CAGR of approximately 5.0% from 2016 to 2020.

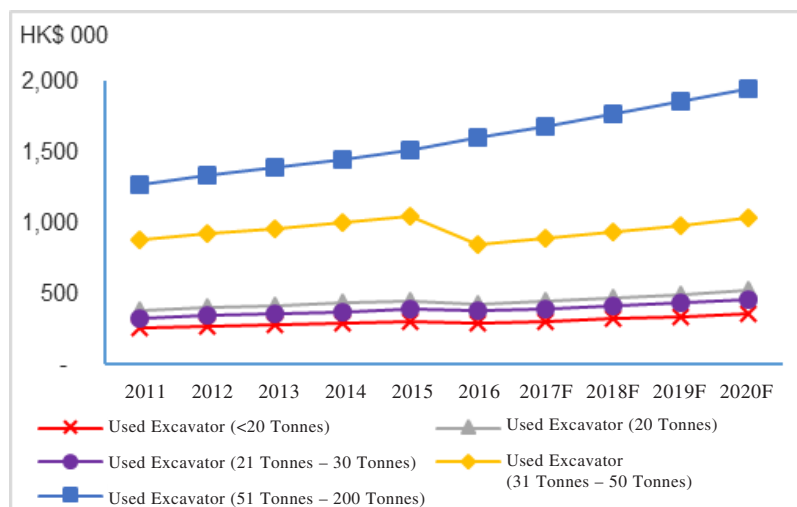
Price Trend of New Excavators (per unit)



Source: Crowe Horwath Report

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Price Trend of Used Excavators (per unit)



Source: Crowe Horwath Report

Note: Historical price and projected price of excavators have been concluded with reference to: (i) prevailing price of excavators, (ii) information gathered from sellers and (iii) general price index.

Price represents selling price to construction contractors or other end users.

DRIVERS AND OPPORTUNITIES

- Government's expenditure on infrastructure:** According to the 2017-2018 Budget Speech, The Government of Hong Kong planned to increase its total public expenditure on infrastructure to approximately HK\$89.3 billion in 2017-2018 from approximately HK\$85.8 billion in 2016-2017, representing a 8.2% increase. This will present opportunities to the construction sector, and in turn fuel demand for the heavy equipment industry. The trend of increasing government spending on infrastructure is expected to continue, thus creating more business opportunity for heavy equipment service industry.
- Offering value added ancillary services:** To stand out in the market, it is helpful for heavy equipment sales to provide value added services to customers. The services include the provision of qualified operators, general maintenance and repair service. For general heavy equipment, the customers might have the qualified staff to manage and operate the equipment. Nevertheless, for specialised heavy equipment, heavy equipment service providers could provide qualified personnel in order to minimise the potential risk. In the event of machine breakdown, the heavy equipment service providers are capable to offer backup equipment in a timely manner to maintain the on-going projects. The value added services help the market player to secure its current sales and leasing businesses and expand into maintenance service business at the same time.

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- **Promotion of environmental friendly requirements:** The Government of Hong Kong has imposed environmental requirements on construction industry and heavy equipment industry, such as the QPME system. The promotion of QPME presents business opportunity for heavy equipment services providers, as it generates the demand for heavy equipment owners to fade out old non-QPME equipments and replace them with qualified QPME equipments.

ENTRY BARRIERS

- **Proven track record in the industry:** Proven track record is critical for the heavy equipment service providers to sustain in the market. The more demanding and capital intensive the project is, the more likely reputable heavy equipment companies which have enjoyed a long history of providing high-quality equipment, on-time product delivery, and so on will be engaged. The existing service providers for the heavy equipment trading industry have gained reputation through past project experiences and delivering quality heavy equipment to their customers. It is common that potential customers are referred by existing customers, and it is difficult for new player to join the industry without convincing record of accomplishment.
- **Experienced and qualified staff:** To run the business well, experienced and knowledgeable management is indispensable while both experience and knowledge are gained through long-term operations in the industry. This creates another roadblock for start-up companies. These new entrants have to offer a higher salary package or better growth prospects to attract qualified and experienced managerial personnel to handle and run the business. On the other hand, to quickly adjust to dynamic changes in the market, technical personnel are in high demand in order to keep the same pace with changes in market trend, which again requires a considerable outlay. Other personnel are crucial for the organisation as well in order to deliver strong after-sales services and trouble-shooting services.
- **Large capital investment:** Substantial and solid initial capital is required for the establishment of heavy equipment business, either general or specialised, which is followed by massive cash outflow for the sake of maintenance, upgrading and even disposal. When selling or leasing heavy equipment, market player has to deal with prepayments, instalments, account receivables, etc, which brings along additional risk of bad debt and may fail to fund working capital for daily operation in the short term. The solid capital requirement is always a big concern for new entrants.
- **Well established relations with suppliers:** In the heavy equipment services industry, customers are usually sensitive to the quality of the product. A general preference towards well established brands is observed. Being a recognised dealer for a renowned heavy equipment brand is one of the key advantage for a heavy equipment service provider. Also, stable supply from manufacturers helps to ensure a smooth operation.

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- **Effective integrated one-stop setup:** The ability to provide maintenances and ancillary services helps to strengthen a service provider's market position. Typical ancillary services include warranty for new heavy equipment, onsite training for the front line staff as well as ad-hoc tasks such as trouble-shooting. These helps customers execute their projects smoothly. In recent years, bigger market players have gradually built their own technical team to strengthen the competitiveness, while small players still face difficulty in maintaining technical team, as the potential economic benefit may not directly justify the increasing cost.

POTENTIAL CHALLENGES

- **Insufficient skilled labour:** Insufficient supply of labour can be a threat to the heavy equipment industry. According to the Hong Kong Construction Association's survey on labour shortage of construction industry in Hong Kong, the data collected from 128 sites on 23 April 2015 showed that the shortage rate reached 11.4%, with 2,356 additional workers needed among the total 20,726 on-site workers. Insufficient skilled labour may increase the probability of a project delay or increasing labour costs, thus resulting in negative impact on the heavy equipment industry indirectly.
- **Fluctuation of foreign exchange rate:** As heavy equipment services provider in Hong Kong usually imports heavy equipment from foreign manufacturers. Fluctuation in foreign currency exchange rate could cause negative impacts on their business.
- **Delay in approval for funding:** The delay in the approval for funding applications for some development plans and public works could affect the commencement of relevant public infrastructure projects as well as the continuity of government expenditure on those projects. In the first half of 2016, the MTR Corporation Limited needed an extra HK\$19.6 billion to continue the project of Guangzhou-Shenzhen-Hong Kong Express Rail Link, scheduled to open in 2018. However, fierce debate and filibusters in the Legislative Council of Hong Kong as well as street protests were observed. Though the bill was finally passed in May 2016, the possibility of delay is substantial and similar case could happen on other projects in the future. Any delay in government funding approval process would in turn affect the companies that are engaged in these projects. It thus creates pressure on the heavy equipment sales and leasing industry.

REGULATORY OVERVIEW

LAWS RELATED TO OUR BUSINESS AND OPERATION

This section sets out a summary of the laws and regulations which are applicable to our business and operation in Hong Kong.

LABOUR, HEALTH AND SAFETY

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

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

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

A proprietor who breaches these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who breaches 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.

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

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Factories and Industrial Undertakings (Loadshifting Machinery) Regulation (Chapter 59AG of the Laws of Hong Kong) (the “FIU (LM) Regulation”)

The FIU (LM) Regulation is implemented to ensure that loadshifting machine, such as bulldozer, loader, dumper, compactor and excavator, used in industrial undertakings is operated by a person who has attended a relevant training course and holds a valid certificate.

Under section 3 of the FIU (LM) Regulation, the responsible person of a loadshifting machine shall ensure that the machine is only operated by a person who (a) has attained the age of 18 years; and (b) holds a valid certificate applicable to the type of loadshifting machine to which that machine belongs.

Section 4(1) of the FIU (LM) Regulation provides that the responsible person of a loadshifting machine shall ensure the provision to each of his employees who is instructed (whether directly or indirectly) by him to operate a loadshifting machine of a training course conducted for the type of loadshifting machine to which that machine belongs, unless the employee holds a valid certificate applicable to the type of loadshifting machine to which that machine belongs.

According to section 5 of the FIU (LM) Regulation, an employee referred to in section 4(1) is required to attend such training course as may be provided by the responsible person of the loadshifting machine unless he holds a valid certificate applicable to the type of loadshifting machine to which that machine belongs.

A responsible person who without reasonable excuse contravenes section 3 or section 4(1) commits an offence and is liable to a fine of HK\$50,000. An employee referred to in section 4(1) who without reasonable excuse contravenes section 5 commits an offence and is liable to a fine of HK\$10,000.

For the purpose of the FIU (LM) Regulation, a responsible person, in relation to a loadshifting machine, means a person who is having the management or in charge of the machine but does not include a person who operates the machine, and the contractor who has control over the way any construction work which involves the use of the machine is carried out and, in the case of a loadshifting machine situated on or used in connection with work on a construction site, also means the contractor responsible for the construction site.

Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong) (the “FIU (LALG) Regulations”)

Safety of lifting appliances used at construction sites, including crane and excavator, is mainly regulated by the FIU (LALG) Regulations administered by the Labour Department.

Under regulation 4 of the FIU (LALG) Regulations, the owner of lifting appliances shall ensure that:

- the lifting appliances are of good mechanical construction, made of strong and sound materials, and free from patent defects;
- the lifting appliances are properly maintained;

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- the arrangements for fixing and anchoring the lifting appliances are adequate to secure their safety;
- the lifting appliances are adequately and securely supported; and
- every structure supporting the lifting appliances is of good construction and adequate strength, of sound materials and free from patent defect.

Regulation 15A of the FIU (LALG) Regulations also provides that the owner of a crane shall ensure that it is only operated by a person who:

- has attained the age of 18 years;
- holds a valid certificate issued by the specified body or by other person specified by the Commissioner of Labour; and
- in the opinion of the owner, is competent to operate the crane by virtue of his experience.

The owner of a power-driven lifting appliance, other than a crane, shall ensure that it is only operated by a person who:-

- has attained the age of 18 years; and
- in the opinion of the owner, is trained and competent to operate the appliance.

An owner who contravenes the above requirements shall be guilty of an offence and shall be liable to a fine of up to HK\$200,000.

For the purpose of the FIU (LALG) Regulations, an owner, in relation to any lifting appliance or lifting gear, includes the lessee or hirer thereof, and any overseer, foreman, agent or person in charge or having the control or management of the lifting appliance or lifting gear, and the contractor who has control over the way any construction work which involves the use of the lifting appliance or lifting gear is carried out and, in the case of a lifting appliance or lifting gear situated on or used in connection with work on a construction site, also includes the contractor responsible for the construction site.

Code of Practice for Safe Use of Excavators (the “Excavators Code”)

The Excavators Code is prepared by the Occupational Safety and Health Branch of the Labour Department. It is issued by the Commissioner for Labour under Section 7A of the FIU Ordinance. It provides practical guidance to proprietors/contractors, management personnel and workers for compliance with provisions of relevant safety regulations for protection of workers in relation to operation of excavators on construction sites.

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The Excavators Code repeats the statutory requirements that the owner of any excavator shall ensure that an excavator has been tested, thoroughly examined and certified safe by a competent examiner; and periodically inspected by a competent person when being used. The Guidance Notes on Inspection, Thorough Examination and Testing of Lifting Appliances and Lifting Gear issued by the Labour Department shall be referred to for guidance on inspection, examination and testing of lifting appliances.

It is further stipulated that a planned maintenance programme is essential in order to ensure proper maintenance of an excavator. As a minimum requirement, every excavator should be maintained according to recommendations given in the manufacturers manuals on regular intervals. All safety features in an excavator should be frequently inspected and tested on its condition and effectiveness. Remedial actions should be taken once any deficiency is found in any safety feature. Routine inspection should be performed by competent persons, or workers who have been adequately trained to perform such work. Renewal of parts or repair of an excavator should only be assigned to technicians with competence and experience who possess sufficient knowledge and skills to complete the work safely.

Proper records of routine inspection, servicing, lubrication, renewal of parts and repair of every excavator should be maintained. The maintenance logbooks or records should be readily available for reference and examination by relevant personnel.

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

For the purpose of the Excavators Code and the FIU (LALG) Regulations, a competent examiner, in relation to the carrying out of any test and examination required by the FIU (LALG) Regulations, means a person who is (a) appointed by the owner required by the FIU (LALG) Regulations to ensure that the test and examination is carried out; (b) a registered professional engineer registered under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong) within a relevant discipline specified by the Commissioner for Labour; and (c) by reason of his qualifications, training and experience, competent to carry out the test and examination; while a competent person, in relation to any duty required to be performed by him under the FIU (LALG) Regulations, means a person who is (a) appointed by the owner required by the FIU (LALG) Regulations to ensure that the duty is carried out by a competent person; and (b) by reason of training and practical experience, competent to perform the duty.

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

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

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

- providing and maintaining plant and work systems that do not endanger safety or health;

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- making arrangements for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a working environment that is safe and without risk to health for the employees.

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

Further, the Commissioner for Labour may issue improvement notices against non-compliance of this Ordinance or the FIU Ordinance, and/or a suspension notice against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

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

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

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

According to section 15(1A) of the Employees' Compensation Ordinance, an employer shall report work injuries of its employee to the Commissioner of Labour not later than 14 days after the accident.

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

REGULATORY OVERVIEW

According to section 40 of the Employees' Compensation Ordinance, all employers (including principal contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (both full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$100 million per event (if the number of employees in relation to who the policy is in force less than 200) and no less than HK\$200 million per event (if the number of employees in relation to whom the policy is in force exceeds 200) to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law.

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

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

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

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

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

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

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (currently HK\$30,000 and HK\$7,100 per month, respectively), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a current ceiling of HK\$1,500. An employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (currently HK\$30,000 per month).

Industry Scheme

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

REGULATORY OVERVIEW

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

ENVIRONMENTAL PROTECTION

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

Starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites, container terminals and back up facilities, restricted areas of the airport, designated waste disposal facilities and specified processes. NRMMs include a wide range of mobile machines (including transportable industrial equipment), or vehicles powered by internal combustion engines used primarily off-road, such as cranes, excavators and air compressors, etc.

The NRMM Regulation states that a person must not sell or lease, or cause to be sold or leased, a regulated machine for use in Hong Kong unless the machine is approved. A person who fails to comply commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

Section 4(2) of the NRMM Regulation provides that any person who sells or leases, or causes to be sold or leased, a regulated machine that is approved or exempted must ensure that:

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

A person who fails to comply with section 4(2) commits an offence and is liable on conviction to a fine of HK\$50,000 and to imprisonment for 3 months.

Pursuant to the Technical Circular (Works) No. 1/2015 issued by the Work Branch of the Development Bureau (“WBDB”) on 8 February 2015, a plan has been implemented by the WBDB to progressively phase out the use of four types of NRMMs, namely generators, air compressors, excavators and crawler cranes in all new capital works contracts of public works (including design and build contracts) with an estimated contract value exceeding HK\$200 million which tenders are invited on or after 1 June 2015. In particular, no exempted generator and air compressor is allowed to be used in such public works which tenders are invited on or after 1 June 2015, while no exempted excavator and crawler crane will be allowed to be used in such public works which tenders are to be invited on or after 1 June 2019. Notwithstanding the implementation plan, exempted NRMMs may still be permitted at the discretion of the architect or engineer if there is no feasible alternative.

REGULATORY OVERVIEW

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

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

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

Any person who is in contravention of the aforesaid provisions shall be liable (a) on first conviction to a fine of HK\$100,000; (b) on second or subsequent conviction, to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

OTHER RELEVANT LAWS AND REGULATIONS

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

The Competition Ordinance, which came into force on 14 December 2015, (i) prohibits conduct that prevents, restricts or distorts competition in Hong Kong, (ii) prohibits mergers that substantially lessen competition in Hong Kong; and (iii) provides for incidental and connected matters. The Competition Ordinance includes, among other provisions, the first conduct rule, which prohibits anti-competitive conduct involving more than one party; and the second conduct rule, which prohibits anti-competitive conduct by a part with substantial market power.

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

REGULATORY OVERVIEW

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

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

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

Road Traffic Ordinance (Chapter 374 of the Laws of Hong Kong) (the "RTO")

The usage, licensing and maintenance of crane trucks, container trucks, lorries and other vehicles are mainly regulated by the RTO and its subsidiary legislations. The RTO also provides regulation of road traffic and the use of vehicles and roads (including private roads).

According to section 42(1) of the RTO, no person shall drive a motor vehicle on a road unless he is the holder of a driving license in respect of a vehicle of the class of vehicle which he is driving, except as otherwise provided by the RTO. Any person who contravenes this subsection commits an offence and is liable, in the case of a first conviction to a fine of HK\$5,000 and to imprisonment for three months, and in the case of a second or subsequent conviction or of a conviction subsequent to a conviction, to a fine of HK\$10,000 and to imprisonment for six months.

Under the RTO, there are 23 subsidiary legislations which include, among others:

- (1) Road Traffic (Construction and Maintenance of Vehicles) Regulations (Chapter 374A of the Laws of Hong Kong) (the "**Road Traffic Maintenance of Vehicles Regulations**");
- (2) Road Traffic (Registration and Licensing of Vehicles) Regulations (Chapter 374B of the Laws of Hong Kong) (the "**Road Traffic Licensing of Vehicles Regulations**").

REGULATORY OVERVIEW

The Road Traffic Maintenance of Vehicles Regulations

Pursuant to Regulation 79 of the Road Traffic Maintenance of Vehicles Regulations, the owner of every goods vehicle and special purpose vehicle shall cause the permitted gross vehicle weight as shown in the registration document in respect of such vehicle and the maximum permitted axle weight to be painted or otherwise plainly marked upon some conspicuous place on both sides of the vehicle unless a valid vehicle licence, issued in respect of the vehicle, containing:

- (i) the permitted gross vehicle weight; and
- (ii) the maximum permitted axle weight,

of the vehicle is displayed on such vehicle. Such markings shall be in English and in Chinese characters and shall be inscribed in white on a black surface in letters, characters and figures not less than 25 millimeters in height and shall at all times be kept clean and unobscured by the owner.

Under Regulation 80 of the Road Traffic Maintenance of Vehicles Regulations, on every goods vehicle and special purpose vehicle, the exhaust pipe shall be so fitted or shielded, and maintained that:

- (i) no inflammable material can be thrown upon it from any other part of the vehicle;
- (ii) it is not likely to cause a fire through proximity to any inflammable material in the vehicle or being carried on the vehicle; and
- (iii) the exhaust outlet is not directed to the near side of the vehicle.

Under Regulation 35 of the Road Traffic Maintenance of Vehicles Regulations, subject to paragraph (3) thereof, every goods vehicle or special purpose vehicle shall be equipped with:

- (i) mudguards at all wheels; and
- (ii) mudflaps behind the rearmost wheels,

which shall be of specifications approved by the Commissioner for Transport of Hong Kong (the “**Commissioner for Transport**”) as being reasonably necessary to ensure that, so far as is reasonably practicable, mud or water thrown up by the rotation of the wheels is caught.

Under Regulation 121 of the Road Traffic Maintenance of Vehicles Regulations, any person who uses or causes or permits to be used on any road any vehicle which does not comply in all respects with the provisions of these regulations commits an offence and is liable to a fine of HK\$10,000 and to imprisonment for 6 months.

REGULATORY OVERVIEW

The Road Traffic Licensing of Vehicles Regulations

According to Regulation 5 of the Road Traffic Licensing of Vehicles Regulations, any person who wishes to have registered within any class specified in Schedule 1 to the RTO a motor vehicle of which he is the owner, shall deliver to the Commissioner for Transport an application for registration in a form specified by the Commissioner for Transport together with such documents as may be specified in the application form relating to the owner and the vehicle required for the purposes of regulation 4 and the Motor Vehicles (First Registration Tax) Ordinance (Chapter 330 of the Laws of Hong Kong), and shall pay to the Commissioner for Transport the registration fee prescribed in Schedule 2 of the Road Traffic Licensing of Vehicles Regulations.

Under Regulation 21 of the Road Traffic Licensing of Vehicles Regulations, any person who wishes to have licensed a motor vehicle which is registered within any class specified in Schedule 1 to the RTO and of which he is the registered owner shall deliver to the Commissioner for Transport an application for such licence in a form specified by the Commissioner for Transport which shall be accompanied by:

- (i) the registration document relating to the vehicle;
- (ii) a policy of insurance in respect of the vehicle in the name of the registered owner which is valid on the date when the licence is to become operative; and
- (iii) his identity document;

and subject to Sub-regulations (3), (7) and (9) and Regulation 23, pay to the Commissioner for Transport the prescribed licence fee.

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)

The Trade Descriptions Ordinance prohibits false trade description, false, misleading or incomplete information, false statements, etc., in respect of goods offered in the course of trade. Therefore, all of the products and supplements sold by our Group are required to comply with the relevant provisions therein.

Section 2 of the Trade Descriptions Ordinance provides, *inter alia*, that “trade description” in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, their being of the same kind as goods supplied to a person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned, etc.), with respect to any goods or parts of the goods; and in relation to services means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, fitness for purpose, method and procedures, availability, the person by whom the service is supplied, after-sale service assistance, price etc.).

REGULATORY OVERVIEW

Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto. A person who commits an offence under sections 7 shall be subject, 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 HK\$100,000 and to imprisonment for 2 years.

Compliance with the Relevant Requirements

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

HISTORY, REORGANISATION AND GROUP STRUCTURE

OUR HISTORY

Our history can be traced back to 1999, when Mr. Chow, our chairman and executive Director, and Ms. Cheng, our non-executive Director, co-founded the business in the sales of used heavy equipment in Hong Kong with their personal funds when they established Tak Lee Machinery Company, an unlimited company in Hong Kong. The background information and relevant industry experience of Mr. Chow and Ms. Cheng are set out in the section headed “Directors and senior management” of this prospectus.

In March 2001, leveraging on their industry insight and experience, Mr. Chow and Ms. Cheng incorporated Tak Lee Machinery, our first operating subsidiary which initially focused on the sales of used heavy equipment in Hong Kong. We have seen substantial growth in both business scope and scale of our Group. Since then, we started to procure different new heavy equipment of recognised brands for sale with a strategic focus on earthmoving equipment, serving customers in Hong Kong and from outside of Hong Kong.

From 2006 onwards, Tak Lee Machinery secured different dealerships or distributorships, some of which were exclusive in nature, to sell new heavy equipment and spare parts manufactured by major heavy equipment manufacturers. With such dealerships and distributorships, we have established a distinctive market presence in the earthmoving equipment services industry in Hong Kong. Backed by our technical knowledge and experience in the earthmoving equipment services industry, we approached an Italy-based manufacturer to manufacture our own-brand heavy equipment on OEM and ODM basis, and successfully sold our first own-brand hydraulic breaker in January 2016. Our Directors believe that our success in our sales business enables us to gain a strong foothold in the earthmoving equipment services industry.

With a view to maximising profitability with our existing clientele, facilities and personnel, we expanded our business to provide leasing services to heavy equipment users since November 2011. We also provide maintenance and ancillary services to our customers so as to complement a simultaneous increase in the demand from the existing businesses and to widen the scope of services provided to our existing customers. Our clientele stretched from small and medium enterprises to key industry players with operations in civil engineering, quarrying, construction, seawork, underwater dredging, land reclamation, municipal waste treatment, seawall installation, metal recycling and landscaping.

Since our inception, we have gradually built our strong supplier base, our “one-stop shop” business model and our expertise in earthmoving equipment, and our Directors believe that we have carved out our niche in the earthmoving equipment services industry.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following table sets out the key milestones of our Group since its establishment:

Year	Milestone
March 2001	Our first subsidiary, Tak Lee Machinery, was incorporated and our sales business commenced
February 2006	We were first granted the exclusive distributorship for various earthmoving attachment and spare parts of <i>LaBounty</i> brand, a U.S. brand, in Hong Kong and Macau
November 2011	Our leasing business commenced as we started to provide earthmoving equipment such as excavators for the Hong Kong terminus of the Express Rail Link project
November 2011	We were first granted the exclusive distributorship for various earthmoving attachment and spare parts of <i>Ramfos</i> brand, a Korean brand, in Hong Kong and Macau
January 2012	We became the authorised dealer for various heavy equipment of <i>Hitachi</i> brand in Hong Kong and Macau
May 2013	We were accredited ISO 9001:2008 for the quality of our services in supply, installation and maintenance of excavators and supply of hydraulic hammers by SGS from 2013 to 2017
September 2013	We started to provide earthmoving equipment such as long front excavators for the Hong Kong-Zhuhai-Macau Bridge project
November 2013	We started to provide earthmoving equipment such as specialised excavators with telescopic arm of 30 metres for the Shatin to Central Link project
March 2015	We were awarded with the title of “Caring Company” by the Hong Kong Council of Social Service
January 2016	We sold our first own <i>TLMC</i> brand hydraulic breaker manufactured by an Italy-based manufacturer on an OEM and ODM basis
September 2016	We became the exclusive dealer for heavy vehicles of <i>Ammann</i> brand, a Swiss brand, in Hong Kong and Macau
June 2017	We were accredited ISO 9001: 2015 for the quality of our services in supply, rental, installation and maintenance of excavators, breakers and generators

HISTORY, REORGANISATION AND GROUP STRUCTURE

Corporate history

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 11 December 2015.

Immediately prior to the commencement of the Reorganisation, each of Mr. Chow and Ms. Cheng owns 50% interest in three wholly-owned subsidiaries of our Company, namely Tak Lee Machinery, Econsmart and Success Sky. Following the completion of the Reorganisation, our Company has become the holding company of our Group for the purpose of the Listing. Please refer to the paragraph headed “Reorganisation” below in this section for the details of the Reorganisation.

Set out below is the corporate history of our major subsidiaries:

Tak Lee Machinery

Tak Lee Machinery is our first operating subsidiary, which was incorporated in Hong Kong on 5 March 2001 with limited liability, with an authorised share capital of HK\$3,000,000 divided into 3,000,000 ordinary shares with a par value of HK\$1.00 each. On the date of incorporation, 1,500,000 shares were allotted and issued at par to each of Mr. Chow and Ms. Cheng, respectively. Immediately prior to the Reorganisation, Mr. Chow and Ms. Cheng together owned the entire issued share capital of Tak Lee Machinery.

Tak Lee Machinery is principally engaged in the sales and leasing of new and used heavy equipment and the provision of maintenance and ancillary services.

Econsmart

Econsmart was incorporated in Hong Kong on 19 September 2001 with limited liability, with an authorized share capital of HK\$10,000.00 divided into 10,000 ordinary shares with a par value of HK\$1.00 each. On the date of incorporation, two shares were allotted and issued at par to an Independent Third Party as the initial subscriber, credited as fully paid. On 29 October 2001, one share of such two shares was transferred to each of Mr. Chow and Ms. Cheng, respectively. Immediately prior to the Reorganisation, Mr. Chow and Ms. Cheng together owned the entire issued share capital of Econsmart.

Econsmart is engaged in the provision of intra group motor vehicles services.

Success Sky

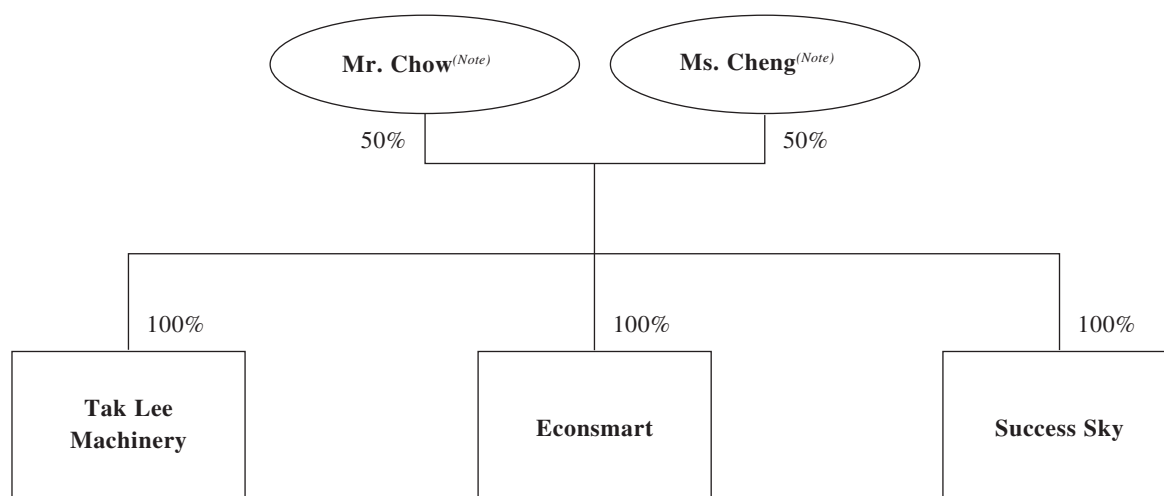
Success Sky was incorporated in Hong Kong on 7 October 2010 with limited liability, with an authorized share capital of HK\$10,000.00 divided into 10,000 ordinary shares with a par value of HK\$1.00 each. On the date of incorporation, one share was allotted and issued at par to an Independent Third Party as the initial subscriber, credited as fully paid. On 9 November 2010, such share was transferred to Mr. Chow. On the same day, one share was allotted and issued to Ms. Cheng, credited as fully paid. Immediately prior to the Reorganisation, Mr. Chow and Ms. Cheng together owned the entire issued share capital of Success Sky.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Success Sky is principally engaged in the ancillary and supporting services for the sales and leasing of new and used heavy equipment.

REORGANISATION

Our Group underwent the Reorganisation in preparation for the Listing. The following chart sets out our Group's corporate and shareholding structure immediately before the Reorganisation:



Note: Mr. Chow and Ms. Cheng are spouses.

The Reorganisation involved the following steps:

Incorporation of our Company

Our Company was incorporated in the Cayman Islands on 11 December 2015 to be the ultimate holding company of our Group. The initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.

On 11 December 2015, one nil paid Share was issued to Sharon Pierson as the initial subscriber and such nil paid Share was subsequently transferred to Generous Way on the same day. Upon completion of the above transfer, Generous Way became the sole shareholder of our Company.

Incorporation of TLMC Company Limited

TLMC Company Limited was incorporated in the BVI on 4 January 2016. As at the date of incorporation, TLMC Company Limited was authorised to issue up to a maximum of 50,000 ordinary shares of a single class without par value. On 4 January 2016, TLMC Company Limited allotted and issued one share to our Company, credited as fully paid. Upon completion of the above allotment, TLMC Company Limited became a direct wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Acquisition of Tak Lee Machinery, Econsmart and Success Sky by TLMC Company Limited

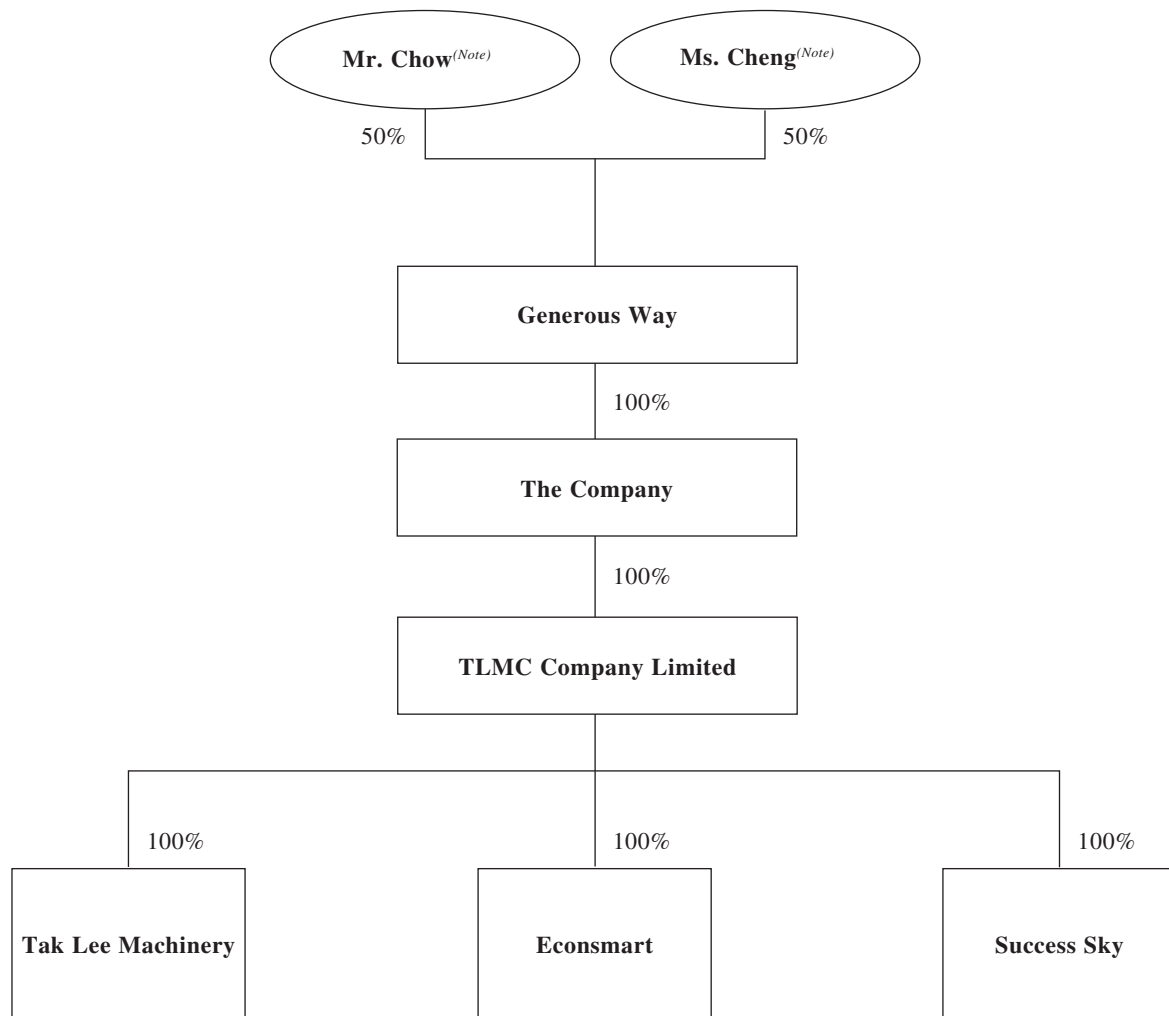
On 23 June 2017, Mr. Chow, Ms. Cheng, Generous Way, TLMC Company Limited, and our Company entered into a share swap agreement pursuant to which Mr. Chow and Ms. Cheng agreed to sell, and TLMC Company Limited agreed to purchase the entire issued share capital of each of Tak Lee Machinery, Econsmart and Success Sky, which comprised: (i) 1,500,000 shares held by each of Mr. Chow and Ms. Cheng, respectively, in the issued share capital of Tak Lee Machinery, (ii) one share held by each of Mr. Chow and Ms. Cheng, respectively, in the issued share capital of Econsmart, and (iii) one share held by each of Mr. Chow and Ms. Cheng respectively in the issued share capital of Success Sky.

The shares were transferred to TLMC Company Limited in consideration of (i) the crediting as fully paid at par the initial one nil paid Share registered in the name of Generous Way and (ii) the allotment and issue by our Company of 37,999,999 Shares, all credited as fully paid and rank pari passu in all respects with the existing issued Share, to Generous Way.

Upon completion of the above transfer, our Company held the entire issued share capital of Tak Lee Machinery, Econsmart and Success Sky through TLMC Company Limited. The above transfer has been legally and properly completed and settled on 23 June 2017.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following diagram illustrates our corporate and shareholding structure following the completion of the Reorganisation and immediately prior to the Share Offer and the Capitalisation Issue:



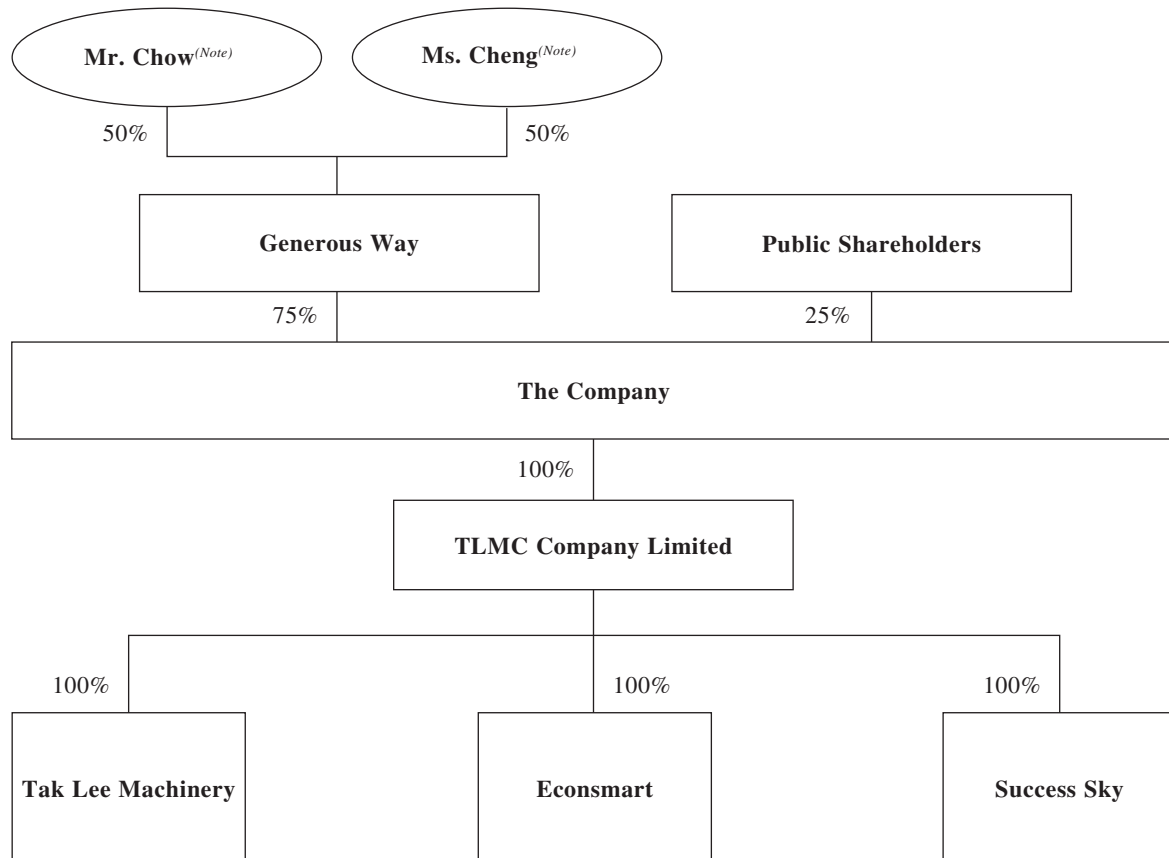
Note: Mr. Chow and Ms. Cheng are spouses.

HISTORY, REORGANISATION AND GROUP STRUCTURE

CAPITALISATION ISSUE

Conditional upon the share premium account of the Company being credited as a result of the issue of the Offer Shares, the sum of HK\$7,120,000 will be capitalised and will apply towards paying up in full at par a total of 712,000,000 Shares for allotment and issue to Generous Way and such Shares shall rank pari passu in all respects with the then existing issued Shares.

The following chart sets out our corporate and shareholding structure immediately after the completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued upon exercise of any option to be granted under the Share Option Scheme):



Note: Mr. Chow and Ms. Cheng are spouses.

OVERVIEW

We are one of the leading earthmoving equipment sales and leasing services providers in Hong Kong. According to the Crowe Horwath Report, we were the largest player in the earthmoving equipment sales market in Hong Kong with a market share of approximately 34% and 35% in terms of revenue generated from the sales of earthmoving equipment in 2015 and 2016, respectively. Being one of the market leaders in the earthmoving equipment services industry, we have served customers, who relied on both our products and services, in notable public or private projects in Hong Kong including:

- Tuen Mun Lam Tei Quarry rehabilitation;
- West New Territories Landfill operation;
- Liantang Boundary Control Point Project;
- Admiralty station, To Kwa Wan station, Ma Tau Wai station and Hung Hom station of the Shatin to Central Link project, including the temporary reclamation at Hung Hom landfill;
- Hong Kong-Zhuhai-Macau Bridge project; and
- Hong Kong terminus of the Express Rail Link project.

Amongst various categories of heavy equipment, we strategically focus on earthmoving equipment since our inception in March 2001. We provide comprehensive services for earthmoving equipment users in Hong Kong, including primarily (i) the sales of new and used earthmoving equipment and spare parts, (ii) the leasing of earthmoving equipment, and (iii) the provision of maintenance and ancillary services for earthmoving equipment users. We also offer some heavy equipment other than earthmoving equipment for sales and for leasing. With such dedicated focus throughout the years, we have built up our expertise and accordingly reputation within the earthmoving equipment services industry. Along with our sales, leasing and maintenance and ancillary services for earthmoving equipment users, to further enhance our services, we offer value-added services including the provision of equipment planning and execution advice, the sourcing and selling of heavy equipment other than earthmoving equipment, and the provision of qualified operators and technicians to manoeuvre or recondition the leased earthmoving equipment on the work site upon the specific requests of the customers. Under the leadership of our founder, Mr. Chow, who has more than 19 years of experience in the industry, we possess the specialised technical expertise and knowhow to offer such value-added services to the satisfaction of our customers. Our Directors believe that our ability to provide a “one-stop shop” service model and to satisfy the needs of earthmoving equipment users enables our Group to capture business opportunities.

BUSINESS

Central to our holistic service model is our strong and stable supply network. As at the Latest Practicable Date, we had entered into a number of dealership or distributorship agreements with overseas manufacturers, which allow our Group to source new earthmoving equipment of well-recognised manufacturers within the industry. As at the Latest Practicable Date, we were the exclusive dealer and distributor for *Ramfos*, *Labounty* and *Ammann* brands of earthmoving equipment in Hong Kong and other designated regions and we were also the only authorised dealer for *Hitachi* brand of earthmoving equipment in Hong Kong and Macau. We source new and used earthmoving and other heavy equipment for sales and for leasing from brokers, trading companies, overseas auctions, overseas earthmoving equipment dealers and through trades with used heavy equipment owners. We only purchase used equipment of well-recognised brands after evaluation by our procurement team to ensure that the condition of the used equipment is congruent with our standards. Furthermore, we have engaged an Italy-based manufacturer to design and manufacture our own-brand heavy equipment, which are primarily earthmoving attachment, under our brand name of *TLMC* on OEM and ODM basis.

As the exclusive or authorised dealer and distributor of the overseas manufacturers in Hong Kong and other designated regions and with the supplies from other sources, we offer a wide range of earthmoving equipment for sales and for leasing, including specialised earthmoving equipment developed by such manufacturers with their unique technologies and knowhow. Our wide range of earthmoving equipment can satisfy our customers' needs for their operations under different conditions and their usages span across various industries and sectors including civil engineering, quarrying, construction, seaway, underwater dredging, land reclamation, municipal waste treatment, seawall installation, metal recycling and landscaping. Given the broad application of our products, our Directors believe that our diversified exposure positions our Group well to benefit from the differing growth profiles of such industries and sectors.

Another core component to our “one-stop shop” service model is our technical experience and expertise of various earthmoving equipment. We were certified under ISO 9001:2008 for the quality of our services in supply, installation and maintenance of excavators and supply of hydraulic hammers from 2013 to 2017, and have been certified under ISO 9001: 2015 for the quality of our services in supply, rental, installation and maintenance of excavators, breakers and generators since 2017. Our technical experience and expertise denotes quality maintenance and repair service.

We have experienced growth since our inception in March 2001 and had recorded satisfactory performance during the Track Record Period. For the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, our total revenue was approximately HK\$301.1 million, HK\$320.5 million and HK\$130.8 million respectively. The majority of our revenue was derived from our sales service, which accounted for approximately 89.1%, 93.9% and 95.8% of the total revenue of our Group for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017. Our Directors believe that demand for sales of earthmoving equipment will continue to grow on the upswing in the number of infrastructure projects and the stringency of the new environmental regulatory regime implemented in Hong Kong in December 2015. The revenue generated from our leasing business was approximately 9.6%, 5.1% and 3.3% of the total revenue of our Group for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017. Meanwhile, the revenue generated from our maintenance and ancillary services accounted for approximately 1.3%, 1.0% and 0.9% of the total revenue of our Group. Our Directors believe that the long term growth prospect for our leasing service and our maintenance and ancillary services will be significant and favourable to our Group.

COMPETITIVE STRENGTHS

By virtue of the competitive strengths described below which distinguish our Group from our competitors, our Directors believe that we are poised to benefit from the accelerating industrial growth in Hong Kong.

Holistic “one-stop shop” approach

Our comprehensive services and extensive equipment offering facilitate a “one-stop shop” set-up for earthmoving equipment users.

Due to the required specialised skill and capital investment, to the best knowledge of our Directors, there are few earthmoving equipment dealership companies in Hong Kong that fully integrate sales, leasing and maintenance and ancillary services for earthmoving equipment users. Therefore, our “one-stop shop” set-up effectively distinguishes our Group from our competitors. During the Track Record Period, some of our Group’s customers which had utilised our sales or leasing services later relied on our maintenance and ancillary services. Hence, our set-up enables our Group to capture business opportunities by providing holistic and quality services to our customers.

Our Group also benefits from the “one-stop shop” set-up when the demand and behavior of the earthmoving equipment users change. In particular, according to the Crowe Horwath Report, as earthmoving equipment users may not always opt for the purchase of earthmoving equipment, they may rely on leasing service of service providers. In addition, our Directors estimate that our maintenance and repair service will be increasingly relied upon in the next few years because of the upswing in the number of infrastructure projects and the increased earthmoving equipment activity that follows suit. Under such trends, we expect our leasing and maintenance and ancillary services will grow to provide stable and recurring income. At the same time, it is expected that our sales service, being our most established business, offers the Group greater opportunities to promote our leasing and maintenance and ancillary services, and hence drive organic growth of our businesses. We believe the set-up diversifies our revenue streams and provides our Group with more stable income and higher growth prospects in the long run as compared to the business model of focusing solely on either one of our existing businesses.

Dealerships and distributorships with prominent earthmoving equipment manufacturers

Our Directors are aware that our customers generally prefer quality equipment over economical alternatives for better safety and quality assurance. Therefore, a majority of our products we sourced are manufactured by manufacturers reputable for their product reliability within the industry. Over the course of years we have developed robust and stable relationship with some of these recognised brands within the earthmoving equipment services industry. Under the stewardship of Mr. Chow who has conducted business within the earthmoving equipment services industry since 1998, we successfully entered into dealerships or distributorships with some of these recognised manufacturers as their exclusive or authorised dealer and distributor in Hong Kong and other designated regions. Our dealerships and distributorships build the base for our strong and stable supply network.

BUSINESS

Our Directors understand that the manufacturers of these brands have stringent requirements in selecting their preferred dealers or distributors, in particular, the reputation, the scale of operation, the years of experience in the market, the ability to provide maintenance and repair service at their expected standards and the presence of a strong customer base. As at the Latest Practicable Date, we have been granted a number of dealership or distributorships for international heavy equipment brands such as *Hitachi*, *Labounty*, *Ammann* and *Ramfos* to distribute and sell various earthmoving equipment in designated regions. As at the Latest Practicable Date, we were the only authorised dealer of HCS for the sale of *Hitachi* brand of new earthmoving equipment in Hong Kong and Macau. We have also entered into exclusive distributorship agreements with various international heavy equipment manufacturers which granted our Group the exclusive right to supply *Ramfos*, *Labounty* and *Ammann* brands of earthmoving equipment in Hong Kong and other designated regions. For further information, please refer to the sub-section “Suppliers and procurement – Heavy equipment manufacturers – Dealership and distributorship” in this section. Through proactive communication and technological exchange, including visiting these manufacturers and their overseas production facility, our Directors believe that we have established strong relationship with these manufacturers.

Being the exclusive or authorised dealer and distributor of these manufacturers, customers who need to acquire new equipment of these brands can only purchase from our Group. As such, we have benefited from existing market recognition and goodwill carried by such brands and have established distinctive market presence in the quality-recognising earthmoving equipment services industry in Hong Kong. In addition, as at the Latest Practicable Date, we had been able to renew all our dealership or distributorship agreements as elected when they expired. This has enabled our Group to benefit from stable sources of market-leading products and attractive pricing terms for our businesses. We believe that our healthy and long-term business relationship with these prominent manufacturers demonstrate that they have identified our Group as suitable and desirable business partners.

Experienced management team with proven track record

According to the Crowe Horwath Report, we were the largest player in the earthmoving equipment sales market in Hong Kong, with a market share of approximately 34% and 35% in terms of revenue generated from sales of earthmoving equipment in 2015 and 2016, respectively compared to 14% and 15% for the corresponding years for our closest competitor.

Our success is attributable to our management team which is spearheaded by our founder and executive Director, Mr. Chow, who has more than 19 years of experience in the earthmoving equipment services industry. We have benefited and acquired from our management team in-depth knowledge in terms of industry trends, technical and operational expertise. Details of the qualification and experience of our Directors and senior management are set out in the section headed “Directors and senior management” of this prospectus.

We believe that our in-depth knowledge and years of experience gained from a wide range of projects enables our Group to respond and adapt to the various challenges posed by the ever-changing market conditions.

Strong technical knowledge and experience

Wear and tear of earthmoving equipment occurs during the normal course of usage and during storage due to various reasons such as aging, weathering and mishandling. Maintenance and repair of earthmoving equipment is therefore crucial in providing after-sale service to our customers, maintaining the availability of our earthmoving equipment for leasing and refurbishing used earthmoving equipment for sales. The revenue generated from our maintenance and repair service amounted to approximately HK\$3.9 million for the year ended 31 July 2015, approximately HK\$3.2 million for the year ended 31 July 2016 and approximately HK\$1.1 million for the six months ended 31 January 2017. Our Directors estimate that our maintenance and repair service will be increasingly relied upon in the next few years because of the upswing in the number of infrastructure projects and the increased earthmoving equipment activity that follows suit.

As at the Latest Practicable Date, our technical team comprised 13 technicians and each of them possesses in-depth specialist knowledge and expertise in the earthmoving equipment industry. Our expertise in maintenance and repair of earthmoving equipment helps to build visibility and reputation within the industry, which is instrumental in attracting and retaining customers.

In addition, our Directors are of the view that our strong technical team brings high complementary value to our other business segments. If earthmoving equipment users approach our Group for maintenance and repair service, we can cross-sell our sales and leasing businesses to them. Moreover, earthmoving equipment manufacturers require their selected dealers or distributors to provide maintenance and repair service with high levels of quality and standard. Our experience and expertise in maintenance and repair can assist our Group to comply with the terms of existing dealership or distributorship agreements and to secure further dealerships or distributorships. We consider that our stable and long term relationship with recognised manufacturers within the earthmoving equipment services industry are testaments to our strong reputation in our maintenance and repair service.

Internally, our expertise in maintenance and repair of earthmoving equipment can help to conduct recondition or refurbishment works, extend equipment useful lives, limit major overhaul costs and increase residual value of our equipment for sales and for leasing.

Experience in sizable projects

We have been able to attract customers which are responsible for sizable and complex public and private projects in relations to civil engineering, quarrying, construction, seawork and land reclamation. For instance, our services and products were used in the project of Tuen Mun Lam Tei Quarry in 2015. We also provided specialised earthmoving equipment, such as excavators with a telescopic arm of 30 metres for the Admiralty station, To Kwa Wan station, Ma Tau Wai station and Hung Hom station of the Shatin to Central Link project in 2014. Furthermore, from 2011 to 2016, we have been providing intermittently earthmoving equipment such as excavators for the Hong Kong terminus of the Express Rail Link project. Our Directors believe that, in addition to the accumulation of experience, we have built visibility and reputation within the industry when our services and products were involved in the completion of such projects.

Wide range of earthmoving equipment

We understand the complexity involved and the importance of deploying suitable earthmoving equipment designed for different environment and geological conditions.

Our ability to satisfy the demand of customers to the greatest extent possible is crucial to our sales and leasing businesses. Therefore, we ensure that we offer a wide range and ready stock of earthmoving equipment to optimise our provision of services. Under our dealership and distributorship agreements with manufacturers, we provide earthmoving equipment, including heavy vehicles and earthmoving attachments across a range of size and capacity. In particular, we offer specialised earthmoving equipment with special application, such as excavators with telescopic arms which can be used for earthmoving operations under water or with depths of 30 metres below ground, short reach tunneling excavator designed for tunneling operations where space is limited, and super long front excavator designed for earthmoving on dredging, bank maintenance and slope finishing operations. To the best knowledge of our Directors, these types of earthmoving equipment are rarely offered in the Hong Kong market, unless there is a stable source of supply as under our dealership and distributorship agreements.

We also enriched our product offering with our own-brand earthmoving equipment. We obtain firsthand industry information from our sales and leasing services, such as the specific needs of each customer, the latest market demand and future market trend. We are therefore placed in a strong position to develop further innovative products for new growth segment of the earthmoving equipment services industry. Through our OEM and ODM arrangement with an Italy-based manufacturer, we added our own-brand products in our product offering in 2016 at competitive prices. As at the Latest Practicable Date, our own-brand product portfolio primarily included a range of earthmoving attachments such as hydraulic breaker, pulveriser and hydraulic shear. In addition, we source used equipment from manufacturers, and through brokers, overseas auctions and trades with used heavy equipment owners to supplement our product offering.

Our product offering helps our Group create strong presence in the earthmoving equipment services industry. Our Directors believe we excel in respect of quantity, quality and variety in our product offering compared with our competitors. We will continue to effectively maximise the availability of various quality earthmoving equipment for sales and for leasing to keep our Group in the leading position in sales and leasing of earthmoving equipment services in Hong Kong.

Commencement of production of our own-brand earthmoving attachment

In 2015, we entered into an agreement with an Italy-based manufacturer to produce our own-brand earthmoving attachment on OEM and ODM basis, including a range of hydraulic breakers under the brand name *TLMC*. We are committed to our collaboration with our OEM and ODM partner in order to provide quality products with the latest design and technology to our customers. Our senior management communicates with the OEM and ODM partner about our goals, the quality and the design of the products from time to time. We also give feedback and technological insight in respect of the development and improvement of the products. In January 2016, we sold our first *TLMC* brand of earthmoving attachments and during the year ended 31 July 2016, we sold ten units of earthmoving attachments of *TLMC* brand. We believe that the revenue generated from our *TLMC* brand earthmoving attachment will grow at a steady rate.

BUSINESS STRATEGIES

Our Directors consider that our existing business structure meets our business needs and allows organic growth of our business. As at the Latest Practicable Date, we do not have any definitive acquisition plan, nor have we identified any acquisition target. We aim to increase the scale of our business in terms of the scope of our services and our products to capture the upcoming opportunities and we intend to achieve our vision with the following business strategies:

Strengthen supplier base and expand product portfolio in anticipation of the changing market conditions

Our Directors believe that the strong and stable base of earthmoving equipment suppliers underpinned our Group's success. Our close relationship with recognised earthmoving equipment manufacturers allow our Group to source a range of quality products for sales and leasing for our quality-sensitive customers. Our management maintains close ties with our manufacturers. We make visits to these manufacturers and their overseas production facility to provide feedback and to boost technological exchange. We will continue to deepen our relationship with our suppliers by facilitating more frequent communications to ensure understanding of mutual business needs, which prompts closer relationship with our suppliers.

Apart from deepening our relationship with our existing suppliers, to further expand the breadth and depth of our market presence, we will pursue opportunities to broaden our supplier base, for example, to approach other recognised manufacturers for dealership and distributorship. We will also continue to leverage on our established position in the industry, strong customer base and significant marketing experience as a foundation to promote new international earthmoving equipment brands or new product lines that we might introduce in the future. Our Directors believe that a broader supplier base and an expanded product portfolio will enable our Group to offer different earthmoving equipment that meets our customers' technical requirements, hence capturing a greater share of the market. Furthermore, a diversified supplier base can further stabilise our purchasing costs through fluctuation in foreign exchange rates.

We believe that diversifying and expanding our brand portfolio and product offerings will strengthen our reputation as an established earthmoving equipment sales and leasing services provider. In particular, we plan to purchase more ready stock for prompt provision of equipment to meet the upcoming market trend. We currently expect that a sum of approximately HK\$5.9 million, representing approximately 7.5% of the net proceeds from the Share Offer, will be spent on the purchase of 7 units of heavy vehicles as our ready stock.

Enhance and expand our leasing and maintenance and ancillary services

As stated in the Crowe Horwath Report, there has been a comparatively higher growth in the demand of leased heavy equipment in recent years as compared to the growth in the demand of heavy equipment for sale. In addition, the profit margin of our leasing business is comparatively higher than that of our sales business. Therefore our Directors intend to allocate more resources to expand our leasing business.

We plan to further expand our leasing fleet and optimise our fleet composition based on our analysis of historical and future market demand and customer needs. In order to capture the market demand for heavy equipment in various construction and civil engineering projects, we are planning to further expand our earthmoving equipment leasing business by purchasing more heavy equipment which require comparatively higher capital investment due to their higher purchase costs. We also plan to replace older heavy equipment in our leasing fleet. We currently expect that a sum of approximately HK\$45.8 million, representing approximately 57.5% of the net proceeds from the Share Offer, will be spent on the acquisition of 30 units of heavy vehicles for leasing. We expect that the number of new heavy vehicles for lease, after replacing the older heavy vehicles, will increase from 22 units as at 31 January 2017 to more than 65 units by early 2018.

Expand and improve our workshop and facilities

In order to accommodate for the expanding leasing and maintenance and ancillary businesses, we intend to secure a site as our new premises to accommodate our planned expansion and to increase the size of our workshop and the facilities. With a larger fleet, it is expected that more maintenance and repair work will be conducted to keep our equipment in good operating conditions and a larger workshop with improved facilities can also allow quicker response time for our maintenance and repair work. We currently expect that a sum of approximately HK\$11.4 million, representing approximately 14.3% of the net proceeds from the Share Offer, will be used to pay part of the consideration of a new premises with a gross floor area of approximately 50,000 square feet and the balance of which will be settled by other banking facilities, if required.

Accelerate the development of our own-brand earthmoving equipment

Since February 2015, we have engaged an Italy-based manufacturer to design and manufacture our own-brand earthmoving equipment, mainly earthmoving attachment, under the brand name *TLMC* on OEM and ODM basis. In January 2016, we sold our first *TLMC* brand earthmoving attachment and during the year ended 31 July 2016, we have sold ten *TLMC* brand earthmoving attachment. We aim to distinguish our *TLMC* brand products with earthmoving attachment sold by other suppliers by introducing specialised equipment, such as 20-29 tonnes massive hydraulic breaker. We currently expect that a sum of approximately HK\$4.2 million, representing approximately 5.3% of the net proceeds from the Share Offer, will be spent on the development of our own-brand products.

With our established position and diversified customer base, we believe that we can effectively introduce our product and our brand to earthmoving equipment users in Hong Kong.

Recruiting talents to capture more business opportunities

We intend to recruit additional experienced candidates to enhance our experience and expertise. In particular, we plan to strengthen and expand our team of technicians such that our expected growth in our leasing and maintenance and ancillary businesses can be accommodated by sufficient amount of workforce. We will also continue to offer relevant training for their long-term development and growth with our Group. With a staff force which possess extensive market know-how and industry knowledge, in addition to a higher degree of business efficacy, we can provide high quality industry intelligence and advice to our existing and prospective customers. Our Directors believe it can help us to capture more business opportunities.

To develop this strategy, we expect to use approximately HK\$4.3 million, representing approximately 5.4% of the net proceeds from the Share Offer.

Further details of the implementation plans of our strategies are set out in the section headed “Future plans and use of proceeds” of this prospectus.

OUR PRODUCT OFFERING

Our product portfolio comprises various types of earthmoving equipment, including heavy vehicles and earthmoving attachments, as well as their spare parts. These earthmoving equipment can be used in demanding environment and difficult geological conditions for civil engineering, quarrying, construction, seawork, underwater dredging, land reclamation, municipal waste treatment, seawall installation, metal recycling and landscaping. Our other products include other heavy equipment, such as high reach equipment and power and energy equipment.

Earthmoving equipment

Heavy Vehicles

One type of earthmoving equipment is heavy vehicle. The heavy vehicles we offer primarily include excavators, bulldozer, soil compactor, wheel loader, vibratory roller, tandem roller, articulated dump truck, crawler drill and crawler loader.

We offer new excavators of *Hitachi* brand under our dealership agreement with HCS. Our used excavators, which are for sales and for leasing, primarily comprise Japanese and American brands. Excavators can be used in a wide range of earthmoving activities and its use can be further optimised with a wide array of attachments. We offer a comprehensive mix of excavators ranging from 1.1-tonne mini excavator to 811-tonne massive excavator. Our product offering also includes specialised excavators which are harder to source in the market due to its comparative rarity, such as excavators with telescopic arm which can be used for earthmoving operations to a depth of 30 metres underground, short reach tunneling excavator designed for tunneling operations where space is limited, and super long front excavator designed for earthmoving on dredging, bank maintenance and slope finishing operations. During the Track Record Period, the purchase costs for excavators range from approximately HK\$0.1 million to HK\$4.3 million per unit.

BUSINESS

The other heavy vehicles we offer can be used in various earthmoving operations by loading, hauling, dumping, compacting or spreading earth. These other heavy vehicles consist of various international brands including *Hitachi* and *Ammann*.



Excavator with hydraulic breaker



Excavator with 30-metre telescopic arm and clamshell bucket with slide cabin



Short reach tunneling excavator



Wheel type excavator



Wheel type excavator



Super long front excavator of
87-tonne class



Super long front excavator of
67-tonne class



Articulated dump truck



Dredging excavator
of 120-tonne class



On barge excavator of
180-tonne class



Bulldozer of 100-tonne class



Single drum vibratory roller



Wheel loader

Earthmoving attachments

We offer new and used earthmoving attachments, in particular we offer a range of hydraulic breakers for sales and for leasing. The other earthmoving attachments we offer include hydraulic shear, multi-processor, crusher, and pulveriser. These earthmoving attachments are usually mounted on the hydraulic boom of a heavy vehicle, resulting in a heavy equipment that has both reach and maneuverability.

Hydraulic breakers can be used for the demolition of structure made of concrete, rock and asphalt. They are commonly used in earthmoving operations in Hong Kong as the geology of Hong Kong is dominated by granite rocks, and the breaking of granite rocks requires great crushing force which could be generated by hydraulic breakers. We carry a comprehensive mix of hydraulic breakers ranging from 0.075-tonne mini hydraulic breaker to 15-tonne massive hydraulic breaker, and specialised hydraulic breaker such as underwater hydraulic breaker. During the Track Record Period, the purchase costs for hydraulic breakers range from approximately HK\$0.1 million to HK\$1.1 million per unit.

Our other earthmoving attachments can be used for loosening, grinding, shredding or crushing earth or other materials.

BUSINESS

We offer new earthmoving attachments primarily consisting of *Ramfos* and *Labounty* brands and of our own *TLMC* brand. Our used earthmoving attachment comprise of Korean, American and Swedish brands including *Ramfos* and *Labounty* brands.



Hydraulic breaker



Underwater hydraulic breaker



Processor



Pulveriser



Hydraulic shear



Other heavy equipment

Our other heavy equipment include used and new high reach equipment such as aerial platform, lifting equipment such as rougher crane and crawler crane, material handling equipment such as forklift, and power and energy equipment such as air compressor and diesel generator.

Power and energy equipment



Air compressor



Diesel generator

BUSINESS

High reach equipment



Crawler aerial platform



Crawler aerial platform

Lifting equipment



Crawler crane with telescopic boom

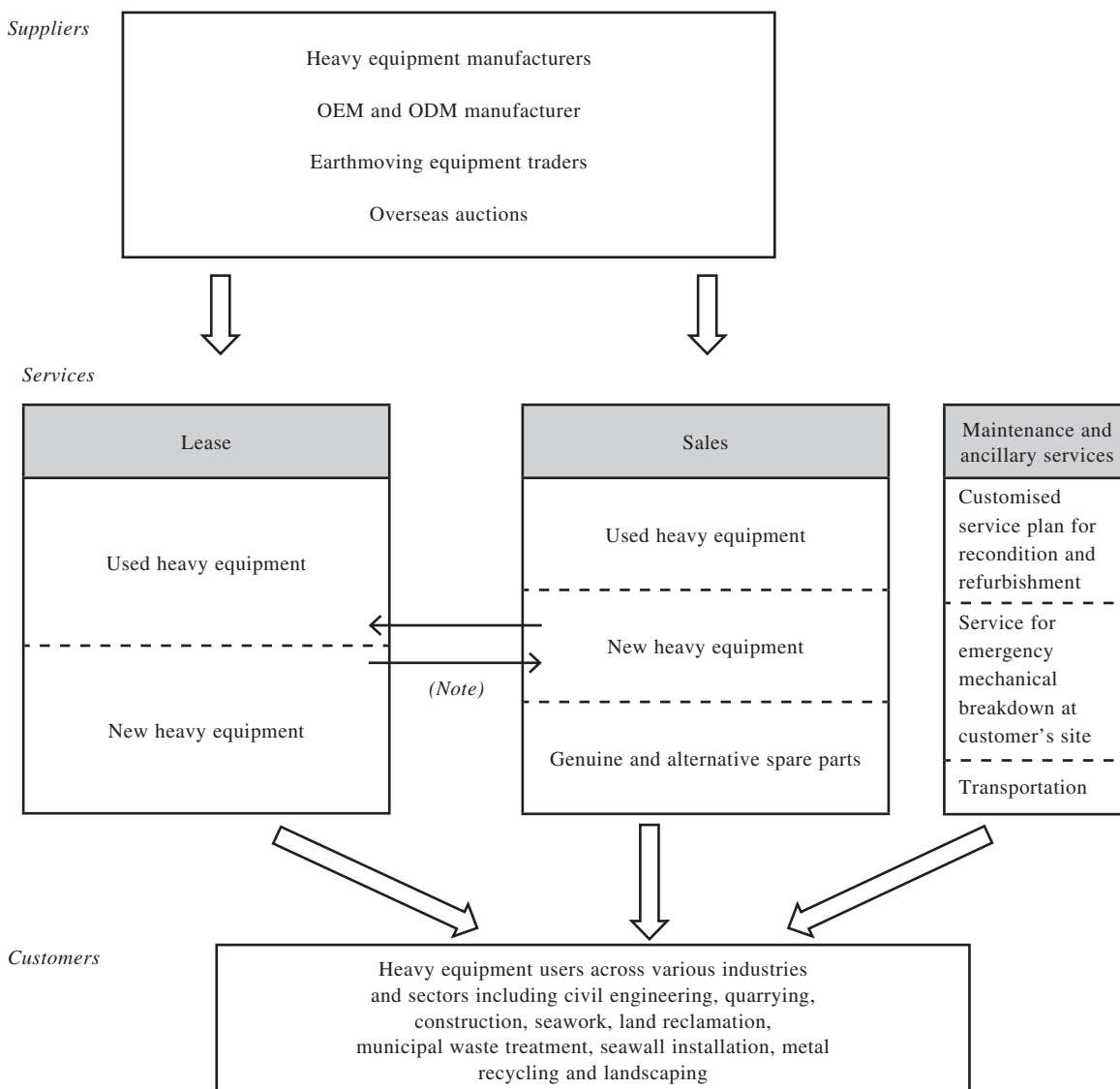
Spare parts

We offer genuine and alternative spare parts such as shoe, track link, lower roller, motor, pump, chisel, air filter, fuel filter, seal kit, hydraulic component and engine to customers.

BUSINESS

OUR BUSINESS MODEL

We offer heavy equipment for sales and for leasing with a principal focus in earthmoving equipment, including primarily (i) the sales of new and used earthmoving equipment and spare parts, (ii) the leasing of earthmoving equipment, and (iii) the provision of maintenance and ancillary services for earthmoving equipment users. We also offer some other heavy equipment for sales and for leasing. The following diagram illustrates our business model in general:



Note: Depending on the circumstances, the equipment in our leasing fleet may be phased out through sales while the ready stock of heavy equipment for our sales business may be included as our leasing fleet.

BUSINESS

Our business model provides a “one-stop shop” for heavy equipment users, which are predominantly earthmoving equipment users given our strategic focus on earthmoving equipment. Under our business model, our sales service accounted for the largest portion of our revenue generated during the Track Record Period. The remaining portion of our revenue was contributed by our leasing service and maintenance and ancillary services. The following table sets out a breakdown of our revenue by business segments during the Track Record Period:

	Year ended 31 July				Six months ended 31 January	
	2015		2016		2017	
	Contribution to total revenue		Contribution to total revenue		Contribution to total revenue	
	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%
Sales of heavy equipment and spare parts	268,197	89.1	300,937	93.9	125,297	95.8
Leasing of heavy equipment	28,993	9.6	16,379	5.1	4,344	3.3
Maintenance and ancillary services	3,891	1.3	3,174	1.0	1,125	0.9
Total	301,081	100.0	320,490	100.0	130,766	100.0

We believe that one of the reasons our customers choose our services before other equipment suppliers and services providers is that the synergy from our complementary services, which the majority of other equipment suppliers and services providers lack, helps to satisfy customers with different needs.

BUSINESS

Sales business

We generated a majority of our revenue from our sales business, in which a substantial portion of the revenue was derived from the sales of heavy vehicles. The table below sets out our revenue from the sub-segment of sales of heavy equipment and spare parts during the Track Record Period:

	Year ended 31 July		Six months ended
	2015	2016	31 January
	Revenue	Revenue	Revenue
	HK\$'000	HK\$'000	HK\$'000
Earthmoving equipment			
Heavy vehicles			
– New	144,187	127,597	38,331
– Used	74,044	138,947	60,055
	<u>218,231</u>	<u>266,544</u>	<u>98,386</u>
Earthmoving attachment	<u>23,429</u>	<u>10,961</u>	<u>2,374</u>
<i>Sub-total</i>	241,660	277,505	100,760
Other heavy equipment	4,106	3,462	11,628
Spare parts	<u>22,431</u>	<u>19,970</u>	<u>12,909</u>
Total	<u><u>268,197</u></u>	<u><u>300,937</u></u>	<u><u>125,297</u></u>

We have recorded growth for our sales of heavy vehicles during the Track Record Period. Our Directors expect that there will be further increase in the demand for our earthmoving equipment, particularly for heavy vehicles, for reasons detailed in the section headed “Industry overview” of this prospectus.

Our Directors also believe that there will be an increase in demand for genuine spare parts as the customers who had purchased earthmoving equipment from our Group are likely to return to purchase spare parts from our Group, especially genuine spare parts brands for which we have exclusive distributorships in Hong Kong and in designated regions.

BUSINESS

We offer new and used heavy equipment to our customers in order to capture maximum business opportunities. Our growth for our sales business was attributable to an increase in the sales of used equipment. The table below sets out our revenue, sales volume and average unit price by types of earthmoving equipment during the Track Record Period:

	Year ended 31 July			Six months ended			31 January		
	2015			2016			2017		
	Revenue	Sales volume	Average unit price	Revenue	Sales volume	Average unit price	Revenue	Sales volume	Average unit price
	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000
Heavy vehicles									
New	144,187	130	1,109	127,597	130	982	38,331	34	1,127
Used	74,044	152	487	138,947	188	739	60,055	104	577
	<u>218,231</u>	<u>282</u>		<u>266,544</u>	<u>318</u>		<u>98,386</u>	<u>138</u>	
Earthmoving attachment	<u>23,429</u>	<u>71</u>	<u>330</u>	<u>10,961</u>	<u>62</u>	<u>177</u>	<u>2,374</u>	<u>18</u>	<u>132</u>
Total	<u>241,660</u>	<u>353</u>		<u>277,505</u>	<u>380</u>		<u>100,760</u>	<u>156</u>	

Reason for the fluctuations of the average unit price during the Track Record Period is set out in the section headed “Financial information – Description of selected items of consolidated statements of profit or loss and other comprehensive income – Revenue” of this prospectus.

BUSINESS

The following table sets out a breakdown of our revenue derived from our sales contributed against the brands of earthmoving equipment for the Track Record Period as follow:

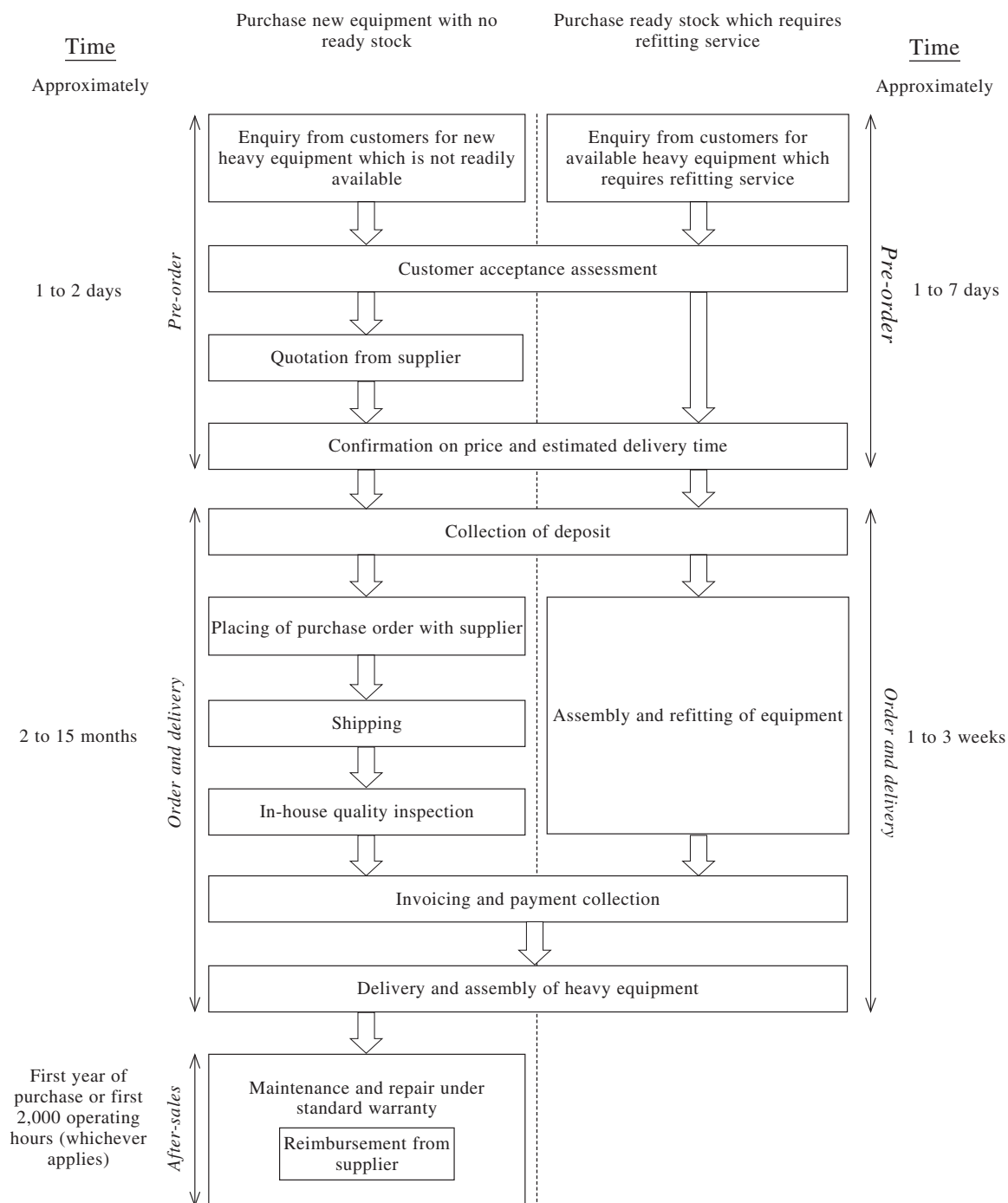
	Year ended 31 July				Six months ended 31 January	
	2015		2016		2017	
	Contribution to the sale of earthmoving equipment		Contribution to the sale of earthmoving equipment		Contribution to the sales of earthmoving equipment	
	Revenue HK\$'000	%	Revenue HK\$'000	%	Revenue HK\$'000	%
Dealership and distributorship						
<i>Ammann</i>	–	–	–	–	1,110	1.1
<i>Hitachi</i>	139,672	57.8	123,517	44.5	35,421	35.2
<i>Ramfos</i>	20,695	8.6	9,265	3.3	1,420	1.4
OEM and ODM partner						
<i>TLMC (Note)</i>	–	–	627	0.2	–	–
Others	81,293	33.6	144,096	52.0	62,809	62.3
Total	<u>241,660</u>	<u>100.0</u>	<u>277,505</u>	<u>100.0</u>	<u>100,760</u>	<u>100.0</u>

Note: TLMC is our own brand.

We usually secure new equipment from a range of sources and geographies after confirmation with our customers. We also have the capacity to acquire and keep ready stock of heavy equipment, most of which are used earthmoving equipment, to fulfil the needs of our customers as they may at times require the prompt provision of earthmoving equipment. We also offer ready supply of genuine and alternative spare parts to our customers to cater for their immediate needs. Our senior management determines the optimal inventory level in accordance with our inventory control policy as detailed in the paragraphs headed “Inventory control” in this section.

BUSINESS

We offer products to customers by (i) providing ready stock without refitting, (ii) providing ready stock which requires refitting as requested by the customers, and (iii) placing purchase order with our suppliers upon the placing of order by customers. For customers purchasing our ready stock without refitting, the process is relatively straightforward and can typically be completed within one week. For the customers which purchase new equipment from our Group in respect of which we do not have ready stock or where the equipment requires refitting service, the process involved is illustrated below:



Pre-order stage

Our sales process usually starts with customers approaching our Group for a specific equipment or requesting our assistance for recommendation of equipment for their earthmoving operations. We also identify potential customers involved in public projects which require earthmoving and introduce our products that can serve their needs.

Given the complexity involved in each earthmoving operation and the importance of deploying suitable earthmoving equipment designed for different environment and geological conditions, we usually give recommendations to our customers for their decision of a purchase plan. Relying on our in-depth knowledge, we usually analyse the types, quantities and functioning of the equipment and labour to be deployed to match the terrain and site conditions. In the cases where our customers are preparing for tender documents for particular projects, they may request for our recommendations and estimations prior to their submission of tender documents for relevant projects. Our Directors consider that such services can strengthen our ability to secure new business opportunities and can help our Group to develop a closer working relationship with our existing customers and potential customers.

After the customers indicate the equipment to be purchased, we provide the price quotation to the customers. For the procurement of new equipment, we check with our suppliers for the costs prior to the provision of price quotation to our customers.

Order stage

The ordered equipment may be delivered from our ready stock or we may place purchase orders with our suppliers after confirmation with our customers. For customers purchasing our ready stock, we usually invoice a full payment when our customers confirm their orders. Otherwise, the customers are required to pay a deposit of 20% of the purchase price. Upon receipt of the deposit, we will place our order with the relevant manufacturer together with any required deposit. When the equipment is ready for delivery, the relevant manufacturer will issue the invoice and arrange for delivery. The ordered equipment is generally shipped to our Group on CIF basis.

We also provide assembling and refitting services for our customers. Upon the request of the customers, we may help to assemble different units of the equipment purchased by the customers together prior to delivery, such that the specification or the function of the refitted equipment can meet the job requirements of our customers. We charge our customers for such services in addition to the costs of the equipment.

BUSINESS

Delivery stage

We will issue the invoice to our customers for settlement according to our payment terms. Upon the arrival of the equipment from overseas supplier, we conduct detailed check on the equipment, in particular, the examination of the equipment with the technical specifications. We will liaise with the customer in relation to the manner of delivery. Generally, we arrange for logistics company to deliver to the customers at their own risk and costs.

Purchases of new earthmoving equipment usually have a lead time ranging from 2 to 15 months.

After-sale services

Depending on the terms of the dealerships and distributorships, we may be required to provide standard warranty for our new earthmoving equipment. Depending on the type of the new earthmoving equipment, the warranty we provide (if any) mainly covers the first year of purchase, or the first 2,000 operating hours of the earthmoving equipment, whichever applies. We measure and check the operating hours of the equipment from the meters installed on the equipment. If any quality issues arise during the applicable warranty period, we will provide maintenance and repair to our customers, and the supplier will reimburse our Group for the labour costs and replacements made. We do not provide warranty for our used earthmoving equipment as we perform component checks when the equipment was delivered to our Group. Any customers whose warranty has expired or who have purchased used earthmoving equipment may rely on our maintenance and ancillary services.

Leasing business

Our leasing service contributed approximately 9.6%, 5.1% and 3.3% of our total revenue for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017. The revenue attributable to the leasing service was approximately HK\$29.0 million, HK\$16.4 million and HK\$4.4 million for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, respectively.

We lease our equipment on dry or wet hire basis in order to satisfy the needs of our customers. When our customers request for the leasing of equipment on wet hire basis, mostly for the leasing of heavy vehicles, we include in the leasing agreements on the arrangement of the wet hire and provide qualified operators to manoeuvre the leased equipment on site. As at the Latest Practicable Date, we had a team of 12 operators available to assist our customers.

Our leasing agreements with customers vary in length. We generally stipulate a minimum leasing period of 5 days and allow extension of the leasing period. During the Track Record Period, the leasing period of our equipment that were leased out ranged from 1 day to 349 days, and the average leasing period of our equipment leased out was 118, 83 and 62 days for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, respectively.

BUSINESS

As at 31 July 2015, 31 July 2016 and 31 January 2017, we maintained 14 units, 11 units and 22 units of earthmoving equipment as our leasing fleet, respectively. Our leasing fleet mainly comprises heavy vehicles. Each of our heavy vehicles generated an average leasing fee of approximately HK\$0.9 million per unit, HK\$0.3 million per unit and HK\$0.1 million per unit for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, respectively.

We adopt a flexible fleet management strategy in operating our leasing business. Depending on the circumstances, for instance the condition of the equipment in our leasing fleet or the demand of our customers, we may either sell the earthmoving equipment for our sales business or include the earthmoving equipment in our leasing fleet. Accordingly, we have calculated the utilisation rate of the leased equipment based on the period that the relevant equipment is available for lease (i.e. from the time it was first leased till it was phased out through sales). As certain types of these equipment may not be in immediate or constant need by other leasing customers or may be in great demand for sales, the equipment in our leasing fleet may have served for a short period of time in the respective financial year before they are phased out through sales, in which case the utilisation rate will be driven down.

As a result of the abovesaid calculation, the average utilisation rate of our leasing fleet ranges from 31.4% to 65.7% and differs by type of equipment. The average utilisation rate of heavy vehicles was approximately 56.2%, 54.7% and 65.7% for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, which was comparatively higher than that of earthmoving attachment and other heavy equipment.

BUSINESS

The following table sets out the information on the number of equipment available for leasing and the utilisation rate by category for the Track Record Period:

Year ended 31 July 2015					
	Number of equipment leased out during the year <i>unit</i>	Utilisation rate % <i>(Note 1)</i>	Leasing period range <i>days</i>	Average leasing period <i>days</i>	Average days the equipment was available for leasing <i>days</i> <i>(Note 2)</i>
Heavy vehicles	33	56.2	33 – 349	125	229
Other heavy equipment	2	64.0	30 – 41	36	56
Earthmoving attachment	2	31.4	31 – 140	89	282
	37				

Year ended 31 July 2016					
	Number of equipment leased out during the year <i>unit</i>	Utilisation rate % <i>(Note 1)</i>	Leasing period range <i>days</i>	Average leasing period <i>days</i>	Average days the equipment was available for leasing <i>days</i> <i>(Note 2)</i>
Heavy vehicles	51	54.7	1 – 275	86	177
Other heavy equipment	6	44.3	30 – 193	78	249
Earthmoving attachment	7	39.0	13 – 161	66	163
	64				

BUSINESS

Six months ended 31 January 2017

	Number of equipment leased out during the period <i>Unit</i>	Utilisation rate % <i>(Note 1)</i>	Leasing period range <i>days</i>	Average leasing period <i>days</i>	Average days the equipment was available for leasing <i>days</i> <i>(Note 2)</i>
Heavy vehicles	40	65.7	6 – 184	57	86
Other heavy equipment	1	57.6	106	106	184
Earthmoving attachment	9	51.6	6 – 181	80	156
	50				

- Notes:* 1. Utilisation rate is calculated based on the number of days equipment were leased during the respective period divided by the number of days the equipment was available for leasing in the respective year. The utilisation rates serve as a performance indicator which may not have immediate and direct linkage with our Group's profit and should be considered in conjunction with other performance/financial indicators.
2. The number of days the equipment is available for leasing represents the number of days equipment from which it was first leased up to the time it was phased out through sales.

During the period of time before the equipment is phased out or sold, the equipment is available for both sales and leasing.

The following table sets out the expected useful life, weighted average age, and average remaining useful life of our equipment available for leasing by category for the dates indicated:

	As at 31 July			As at 31 January		
	2015		2016	2017		
	Expected	Weighted	Expected	Expected	Weighted	Average
	useful life	average	useful life	useful life	average	remaining
	year	age	year	year	age	useful life
		year			year	year
		<i>(Note 1)</i>			<i>(Note 1)</i>	<i>(Note 2)</i>
Heavy vehicles	4.1	0.3	3.8	4.1	0.4	3.7
Other heavy equipment	4.1	0.1	4.0	4.1	0.6	3.5

- Notes:* 1. Weighted average age is calculated by dividing the aggregate age of each type of equipment by the total number of respective type of equipment.
2. Average remaining useful life is calculated by deducting the expected useful life of each equipment (i.e. 4.1 years) by its weighted average age.

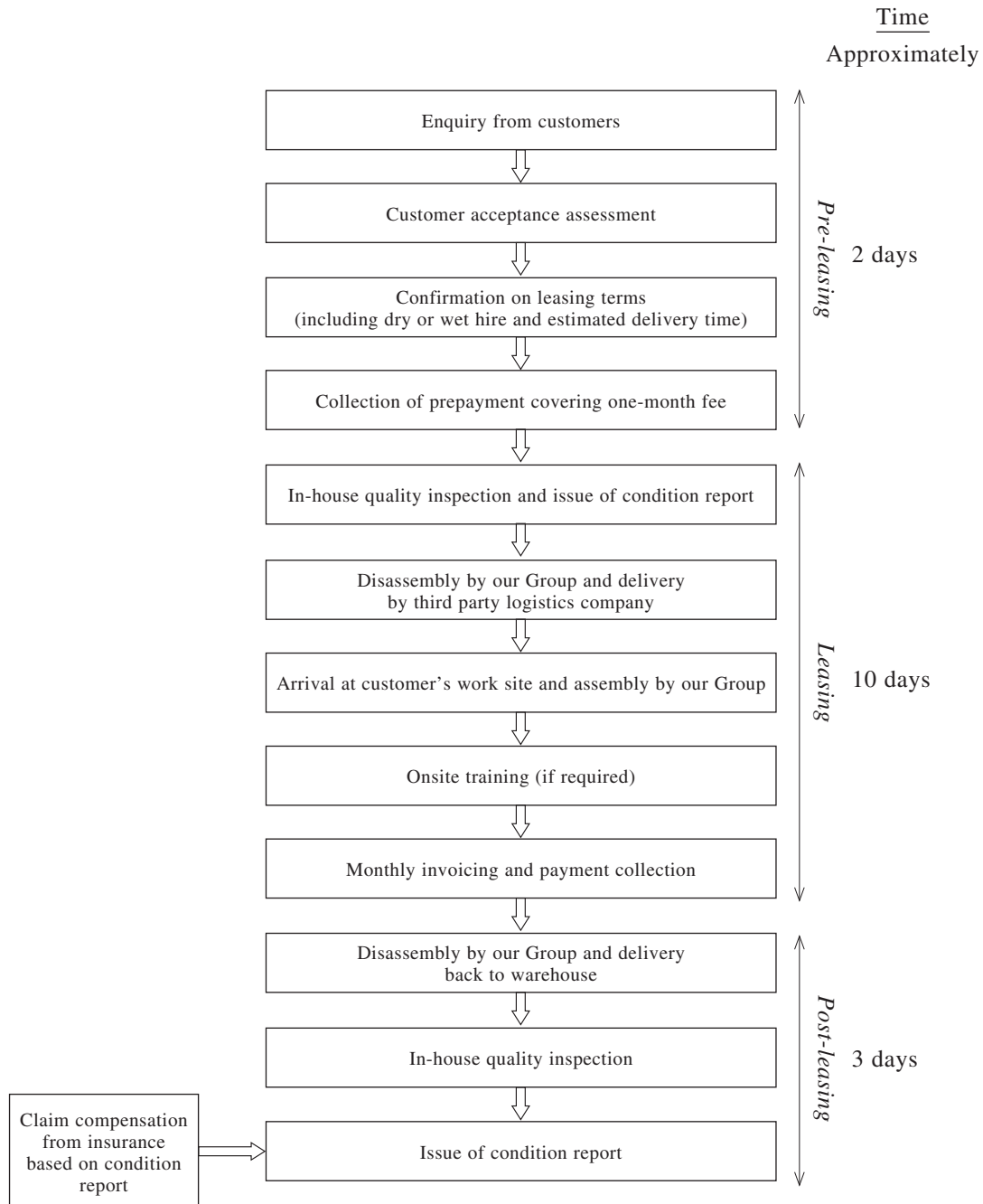
BUSINESS

Our Directors consider that there is much room for our business expansion and market penetration in respect of our leasing business. Therefore, the number of heavy equipment in our leasing fleet increased by 27 units, or approximately 73.0%, from 37 units for the year ended 31 July 2015 to 64 units for the year ended 31 July 2016. The number of heavy equipment in our leasing fleet also increased to 50 units for the six months ended 31 January 2017 as compared to 43 units for the six months ended 31 January 2016. As we adopt a flexible fleet management strategy, there may be circumstances where equipment has been leased for a short period of time and then stored as inventory before it is sold. The longer the time the equipment is stored before sales after the leasing period, the lower the utilisation rate would be. The utilisation rate of our leased equipment is highly influenced by such flexible fleet management strategy. As such, our Directors consider the utilisation rate as one of our indicators for our leasing operations and does not directly reflect or relate to the profitability in respect of our equipment, the demand of our leasing customers and the upcoming opportunities of the market. As set out in the section headed “Future plans and use of proceeds” of this prospectus, we currently plan to use a sum of approximately HK\$45.8 million, representing approximately 57.5% of the net proceeds from the Share Offer, to purchase heavy equipment in relation to the expansion of our leasing services and the replacement of older heavy equipment for leasing.

As at 31 July 2015, 31 July 2016, 31 January 2017 and the Latest Practicable Date, the remaining contracted value of our ongoing leasing agreements (the leasing period of which had commenced as at the relevant date) amounted to approximately HK\$4.4 million, HK\$0.3 million, HK\$1.8 million and HK\$3.4 million, respectively.

BUSINESS

The process through which we lease equipment is illustrated below:



Pre-leasing stage

Similar to our sales process, our leasing process usually starts with customers approaching our Group for a specific equipment or requesting our assistance for recommendation of equipment for their earthmoving operations. After communicating and analysing the needs and project schedule of the customers, we will check the availability of our equipment and provide the quotation to the customers.

Leasing stage

During the Track Record Period, customers were required to make a prepayment for earthmoving equipment which was fitted with a specialised earthmoving attachment. No prepayment was required for earthmoving equipment which did not require the fitting of attachment. Subsequent to the Track Record Period and up to the Latest Practicable Date, a prepayment is required for the leasing of earthmoving equipment on a case-by-case basis. Upon entering into the leasing contracts, our customers must also provide proof of insurance cover for our leased equipment (and operators if applicable) at the construction sites.

We will conduct in-house quality check and issue a condition report prior to the collection or delivery of the equipment. Upon receipt of the prepayment, depending on the terms of the leasing contracts, we arrange for the collection of equipment or delivery by logistics company at our customers' own risk and costs in accordance to the project schedule provided. If required, we provide one onsite training session to our customers without charge.

We do not provide warranty for our equipment for leasing as we perform component checks prior to delivery. Customers of our leasing service may rely on our short-term, contract-length and customised maintenance service if needed. For further information, please refer to the sub-section "Our business model – maintenance and ancillary services" in this section.

We will issue the monthly invoice to our customers for settlement according to our payment terms.

Post-leasing stage

When the leased equipment is returned to the warehouse, we conduct repair and maintenance work to ensure that it is in satisfactory condition. Our technicians prepare for claim report if the damage to the leased equipment is beyond normal wear and tear in which case we charge our customers for any repair, recondition or refurbishment works.

Maintenance and ancillary services

We have generated stable revenue from our maintenance and ancillary service during the Track Record Period. The revenue attributable to the maintenance and ancillary service was approximately HK\$3.9 million, HK\$3.2 million and HK\$1.1 million for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, respectively. We offer service plans for the on-going maintenance of earthmoving equipment to satisfy the demand arising from the inspection, repair and maintenance of earthmoving equipment in use which is generally subject to wear and tear. Our technicians visit our customers in accordance with the terms of the customised service plans. For new earthmoving equipment sold with warranty, our service plans are generally formulated in accordance with the standard of the relevant manufacturers and the types of the earthmoving equipment.

Our maintenance and ancillary service complements our leasing service as customers may choose to include in their leasing agreements varying, but typically short-term, contract-length and customised maintenance service.

We are also approached by earthmoving equipment users when their equipment experiences emergency mechanical breakdown. In such case, the customers may either deliver the earthmoving equipment to our warehouse for inspection, or we may arrange for scheduled inspection service and deploy technicians to the customers' work sites. After the inspection, our technicians conduct subsequent repair or recondition work.

BUSINESS

We engage subcontractors to conduct certain maintenance and repair works for our customers occasionally. We may outsource non-major maintenance and repair work if the demand exceeds the capacity of our technical team. We also outsource maintenance and repair works which are generally related to general electrical components of heavy equipment, for instance the maintenance and repair of air conditioners of the heavy equipment.

Other ancillary services provided by our Group include the transportation of heavy equipment for our customers. We normally engage logistics companies for the transportation of earthmoving equipment to or from the customers or the work site where our customers are stationed.

CUSTOMERS AND MARKETING

Marketing and customer services

As at the Latest Practicable Date, our sales and marketing team comprised five personnel with an average industry experience of over nine years. Our experienced sales and marketing team explores various marketing opportunities to promote our dealerships and distributorships, our products and services to existing and potential customers. With great effort of our sales and marketing team, we have established a close relationship with many customers. For the year ended 31 July 2016, three of our top five customers have more than three years of business relationship with us.

We place emphasis in making active and direct contact with our customers to procure business. Some of our customers may be notified at short notice that they are awarded with projects involving earthmoving operations and hence require the prompt provision of earthmoving equipment. Therefore, we actively monitor the progress of current and upcoming projects in different industries and sectors to understand the demand for earthmoving equipment in the market. Through our customer database, we can maintain regular contact with customers to ensure that their needs for earthmoving equipment are timely serviced. We also approach potential customers to procure business when we have information about the current and upcoming projects of which these potential customers are and will be engaged in.

We also promote our products and services through different platforms. We regularly update our Group's website which showcases all of our earthmoving equipment, attachments and spare parts which are for sales and for lease. We notify our existing and potential customers through advertisements when we add new models of earthmoving equipment into our product portfolio. When our suppliers invite us to visit their overseas production facilities, we arrange for existing and potential customers to join our guided tour and factory visits such that they can observe firsthand the quality of products we provide and the technology involved. Our other marketing campaigns include participation in major industry tradeshow such as the Asian International Building Technology, Material and Decoration Show. As our Directors consider that our ability to obtain new and repeat businesses primarily hinges on our comprehensive portfolio of products, our reputation and our track record in the industry, we do not rely heavily on promotion activities. For the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, our total marketing expenses amounted to approximately HK\$0.8 million, HK\$0.8 million and HK\$0.4 million, respectively.

Mr. Chow, our founder and executive Director, is involved in a wide spectrum of industry activities. Mr. Chow has been the honorary chairman of The Hong Kong Construction Machinery Association (the "HKCMA") since 2007. We have actively participated in the activities organised by the HKCMA.

Pricing policy

Our senior management is responsible for evaluating our costs structure in relation to the sale or lease of each unit of heavy equipment and spare parts.

Sales business

We have the flexibility in adjusting the price notwithstanding any recommended price by the suppliers. We usually fix the price of the new equipment after taking into account of the costs of procurement, the credibility of the customer, the market conditions, the rarity of the equipment and the estimated costs for the repair and maintenance during the warranty period. The profit margin for specialised equipment is generally higher as the maintenance and repair of such machinery requires high levels of expertise and skill and such machinery is more difficult to source in the market. We may provide discount to our customers depending on the credibility of the customer and the value of the purchase. Under special circumstances, discount may be provided when we experience a slow turnover of inventory. As we generally obtain quotation from suppliers prior to the confirmation of price with our customers for sales of new equipment, we generally are able to pass on any increase in costs of procurement to our customers.

We fix the price of genuine spare parts based on the list price of the manufacturers. We negotiate and agree on the profit margin with the relevant manufacturer when we enter into dealership or distributorship agreements, and the profit margin is generally subject to yearly review. We may provide discount to our customers depending on the business relationship and the value of the purchase. Our Directors are of the view that the range for the profit margin for spare parts is in line with the industry norm.

In respect of the sales of used equipment, in addition to the costs of procurement, we consider factors such as age, operating hours, condition, brand, specifications and the costs of refurbishment before sales to determine the price of each piece of equipment.

Leasing business

We normally charge our leasing customers by making reference to various factors, including without limitation, the cost of the equipment, the type of equipment, the rarity and condition of the equipment, the rate of usage, the market rates, the leasing period, the supply and demand in the market and the nature of the work to be undertaken. We will charge a higher fee if the condition of the work site and mode of operation will lead to quicker wear and tear of the equipment, or if the operating hours exceed the maximum operating hours per month as stipulated in the leasing agreement.

Given the wide range of factors that are taken into account, the leasing fee for each type of earthmoving equipment may differ significantly. We may also require a minimum hire period.

In the case of wet hire, the daily rate for each operator is fixed based on the prevailing market rate. If operators are required to work extra shifts or night shifts, the customers are responsible for the extra allowance in accordance with the terms of the leasing agreement.

BUSINESS

Maintenance and ancillary services

For new earthmoving equipment customers with standard warranty, we generally seek disbursement for any replaced spare parts and labour costs from the supplier. For other customers which require our maintenance services, we offer customised service plan for the on-going maintenance of their earthmoving equipment. The fee of the service plans differ in relation to the period of the service, the condition of the work site and the levels of expertise and skill required plus any disbursement.

For customers relying on our emergency inspection and ordering the need to repair or recondition, we charge fees on a case by case basis, primarily by reference to the labour costs, the urgency and the levels of expertise and skill required plus any disbursement.

Credit policy and payment terms

Our administration, accounting and finance personnel are responsible for collection of payment and review of aging receivables.

Sales business

We adopt a standardised credit policy for our customers. Our sales are made on the basis of individual sales order. We normally require approximately 20% of the product price as non-refundable deposits before we place purchase orders for new earthmoving equipment. During the Track Record Period, we generally granted our customers a credit period of 30 to 90 days for the remaining balances after the issue of invoices for the purchase orders. We generally grant a longer credit period to major customers with good track record. As it is the industry norm for sub-contractors to receive progress payment a period after commencement of their work, we also usually grant a longer credit period to customers which are sub-contractors and which show credit-worthiness in past dealings in order to maintain good business relationship with them. For new customers, to reduce the credit risk, we generally require settlement of the outstanding payment upon delivery.

We generally require settlement of the outstanding payment upon delivery for sale of spare parts.

Our invoices are mainly denominated in Hong Kong dollars and they are generally settled by way of cheque or bank transfer.

Leasing business

We do not have a standardised prepayment policy for our leasing business. We will consider the past dealings with the customer as well as the credit-worthiness of the customer concerned through our customer acceptance assessment in determining whether a prepayment is required. If a prepayment is required, it generally amounts to a one-month leasing fee.

We generally grant our customers a credit period of 30 to 90 days after the issue of monthly invoices.

Our monthly invoices are denominated in Hong Kong dollars and they are generally settled by way of cheque or bank transfer.

BUSINESS

Maintenance and ancillary services

We generally do not require prepayment for our maintenance and repair service. If we supply any spare parts or accessories during our service, we allow a credit period of 30 to 90 days for the settlement. Our invoices are denominated in Hong Kong dollars and they are generally settled by way of cheque or bank transfer.

Customers

For our sales and leasing businesses, most of our customers are local and international main contractors and subcontractors in the construction and civil engineering industries. Our other customers include waste services companies and scrap facility owners. Our customers who use our maintenance and ancillary services are usually existing customers who purchased or leased equipment from us.

Our Group's principal market is Hong Kong and all our contracts are concluded in Hong Kong. The majority of our sales customers are based in Hong Kong whereas some are located outside Hong Kong.

We have a diversified and long-standing customer base. Therefore, our Directors do not consider that the Group is materially reliant on any one or more customers.

Sales business

We generally enter into written agreements with our sales customers for each purchase order. During the Track Record Period, we did not enter into any long-term supply agreements with our customers. The salient terms of our sales agreement for new and used heavy equipment during the Track Record Period are as follows.

Product description	:	The general description of the products, such as the product type, brand, country of origin, name of the model and product specifications are included.
Deposits	:	We generally require approximately 20% of the product price as non-refundable deposits before we place purchase orders for earthmoving equipment with our suppliers.
Delivery	:	We either arrange for logistic companies to deliver to the customers at their own risk and cost or the customers (or logistic companies on their behalf) to collect the equipment from our warehouse.
Credit term	:	We generally granted our customers a credit period of 30 to 90 days after the issue of invoices at the time of delivery.

BUSINESS

Warranty	:	For new heavy equipment, we generally provide standard warranty which mainly covers the first year of purchase, or the first 2,000 operating hours of the earthmoving equipment, whichever applies.
Value-added service	:	We may provide assembling and refitting service of the purchase equipment with extra charges.

Leasing business

We generally enter into written leasing agreements with our leasing customers prior to the provision of our leasing services. We lease our equipment on flexible terms tailored to each customer's requirements. The salient terms of our leasing services during the Track Record Period are as follows.

Period of service	:	We generally stipulate a minimum leasing period of 5 days for all our customers. Any extension of the leasing period must be communicated one week prior to the expiration of the specified leasing period and will be subject to extra charges.
Prepayment	:	We may require prepayment which generally amounts to one-month leasing fee. The prepayment will be set off with the leasing fee payable at the end of the leasing period.
Running costs	:	Customers typically bear the costs for consumables such as filter, fuel and chisel and are responsible for wearing parts.
Working hours	:	We typically stipulate the maximum operating hours per month and the overtime charge.
Maintenance and repair	:	Our customers are responsible for the daily maintenance of the leased equipment. For instance, they are responsible for the checking of fuel, water and battery status. We provide varying, but typically short-term, contract-length and customised maintenance service as required by our customers with extra charges.
Dry or wet hire	:	If required, we provide our qualified operators to manoeuvre the leased earthmoving equipment on site.
Termination	:	We are entitled to take repossession of the leased equipment in the event the customers defaulted in payment of the leasing fees.
Delivery	:	We either arrange for logistics company to deliver to the customers at their own risk and cost or the customers (or logistic companies on their behalf) to collect the equipment from our warehouse.

BUSINESS

Our revenue from our top five customers for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 amounted to approximately HK\$101.7 million, HK\$77.7 million and HK\$38.8 million, representing approximately 33.8%, 24.2% and 29.6% of our total revenue respectively. Sales to the largest customer of our Group for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 amounted to approximately HK\$31.1 million, HK\$23.9 million and HK\$11.1 million, representing approximately 10.3%, 7.5% and 8.5% of our total revenue respectively. The following tables set out the brief particulars of our top five customers during the Track Record Period:

Year ended 31 July 2015							
Rank	Customer	Approximate years of business relationship	Principal product/ services provided by our Group	Background information	Approximate percentage of our total revenue	Credit period	Payment method
1	Customer A	5 years	Sales of earthmoving equipment and spare parts and provision of maintenance and ancillary services	A private company incorporated in Hong Kong which is principally engaged in the provision of construction services	10.3%	90 days for equipment; nil for spare parts and maintenance and ancillary services	By cheque
2	Customer B	4 years	Sales of earthmoving equipment and spare parts	A subsidiary of a Hong Kong listed company which is principally engaged in the provision of foundation and substructure construction business in Hong Kong	6.8%	90 days for equipment; nil for spare parts	Bank transfer or by cheque
3	Customer C	3 years	Leasing of earthmoving equipment, sales of spare parts and provision of maintenance and ancillary services	A joint venture construction contractor established by three construction contractors for the provision of construction services	6.7%	90 days for leasing; nil for spare parts and maintenance and ancillary services	Bank transfer
4	Customer D	9 years	Sales of earthmoving equipment and spare parts	A private company incorporated in Hong Kong which is principally engaged in the provision of construction services	5.4%	90 days for equipment; nil for spare parts	Bank transfer
5	Customer E	15 years	Sales of earthmoving equipment	An individual who is engaged in the trading of used heavy equipment business	4.6%	Nil	Bank transfer

BUSINESS

Year ended 31 July 2016							
Rank	Customer	Approximate years of business relationship	Principal product/ services provided by our Group	Background information	Approximate percentage of our total revenue	Credit period	Payment method
1	Customer B	4 years	Sales of earthmoving equipment and spare parts	A subsidiary of a Hong Kong listed company which is principally engaged in the provision of foundation and substructure construction business in Hong Kong	7.5%	90 days for equipment; nil for spare parts	Bank transfer or by cheque
2	Customer F	Less than 1 year	Sales of earthmoving equipment	A private company incorporated in Hong Kong which is principally engaged in the trading of used heavy equipment	4.7%	Nil	Bank transfer
3	Customer G	1 year	Sales of earthmoving equipment	A private company incorporated in Hong Kong which is principally engaged in the provision of dredging service	4.5%	90 days for equipment; nil for spare parts	Bank transfer
4	Customer H	3 years	Sales of earthmoving equipment and spare parts and leasing of earthmoving equipment	A private company incorporated in Hong Kong which is principally engaged in the provision of building and general construction services	4.4%	Nil	By cheque
5	Customer I	3 years	Leasing of earthmoving equipment and sales of spare parts	A private company incorporated in Hong Kong which is engaged in the trading of used heavy equipment	3.1%	90 days for leasing; nil for spare parts	Bank transfer

BUSINESS

Six months ended 31 January 2017							
Rank	Customer	Approximate years of business relationship	Principal product/ services provided by our Group	Background information	Approximate percentage of our total revenue	Credit period	Payment method
1	Customer J	1 year	Sales of earthmoving equipment and spare parts and leasing of earthmoving equipment	A private company incorporated in Hong Kong which is principally engaged in the provision of building and general construction services	8.5%	30 days for equipment and leasing service; nil for spare parts	By cheque
2	Customer K	1 year	Sales of earthmoving equipment and spare parts and leasing of earthmoving equipment	A subsidiary of a Hong Kong listed company which is principally engaged in the provision of site formation works in Hong Kong	7.6%	30 days for equipment; 90 days for spare parts and leasing services	By cheque
3	Customer L	3 years	Sales of spare parts	A private business registered in the PRC which is principally engaged in the provision of spare parts	5.2%	30 days	Cash and bank transfer
4	Customer M	2 years	Sales of earthmoving equipment and spare parts	A private company incorporated in Hong Kong which is principally engaged in the provision of building and general construction services	5.0%	90 days for equipment; nil for spare parts	Bank transfer or by cheque
5	Customer N	3 years	Sales of earthmoving equipment and spare parts	A private company incorporated in Macau which is principally engaged in the provision of building and general construction services	3.3%	Nil	Bank transfer

None of our Directors or their associates or any Shareholder who owns more than 5% of the issued share capital of our Company has, to the best knowledge of our Directors, any interest in any of the top five customers of our Group during the Track Record Period. Except for Customer B, Customer D and Customer M, none of the major customers were the suppliers of our Group during the Track Record Period. The details are set out below:

- for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, Customer B, Customer D and Customer M sold to our Group used heavy equipment which amounted to approximately HK\$2.9 million, HK\$11.3 million and HK\$2.4 million, respectively, which were approximately 1.3%, 4.9% and 2.5% of our total purchase cost; and
- for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, the revenue generated from Customer B, Customer D and Customer M was approximately HK\$43.3 million, HK\$27.2 million and HK\$7.0 million, respectively, which were approximately 14.4%, 8.5% and 5.4% of our total revenue, while the gross profits generated from these customers was approximately HK\$14.5 million, HK\$6.9 million and HK\$2.0 million, respectively, which were approximately 27.1%, 13.4% and 8.8% of our total gross profit.

BUSINESS

From time to time, we purchase used earthmoving equipment of well-recognised brands from earthmoving equipment traders including our customers. Please refer to the section headed “Business – Suppliers and procurement – Earthmoving equipment traders” for details.

We have not received any material complaint from our customers. Our Directors believe that our Group’s relationship with its customers have been and will continue to be good.

SUPPLIERS AND PROCUREMENT

We source our products from various sources for the selection of our customers. We select suppliers or products manufactured by heavy equipment manufacturers whom we consider have good reputations for product quality and reliability within the industry. For new earthmoving equipment, they are sourced from third-party manufacturers including through dealerships or distributorships and from our OEM and ODM supplier. For used earthmoving equipment, we source them from auctions and from manufacturers and used machinery traders. To ensure that the quality and the value of the used earthmoving equipment are congruent with our standards, we only purchase used earthmoving equipment of well-recognised brands after evaluation. We primarily source used earthmoving equipment on the basis of factors including rarity within the market, application, age, operating hours, condition, quality, price, product availability, and delivery options. We tend to source specialised and niche used earthmoving equipment because of their rarity within the market. For the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, we purchased heavy equipment and spare parts from 92, 102 and 66 suppliers respectively.

Our products for sales also include used equipment which are being phased out from our leasing fleet. We make regular analysis on the age and condition of the used equipment, the purchase and maintenance cost and the market trend to optimise the price of resale.

Our suppliers typically require full payment at the delivery of new and used heavy equipment. For the purchase of genuine spare parts, we generally enjoy credit periods of 30 to 90 days. We typically settle our payments by telegraphic transfers and bank transfers, which are denominated in Yen, Euro, RMB and USD.

We consider that it is commercially beneficial to build up a close and long term business relationship with our key suppliers. We have developed stable relationship with our major suppliers. For the year ended 31 July 2016, our business relationship with our top five suppliers ranged from 5 to over 10 years.

Heavy equipment manufacturers

The major suppliers of our Group are heavy equipment manufacturers which are mostly based in the PRC, Japan, Korea and the United States. Our purchases from the heavy equipment manufacturers amounted to approximately HK\$131.5 million, HK\$108.0 million and HK\$34.7 million for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 respectively, which were approximately 61.4%, 46.8% and 36.1% of our total purchases for the respective periods.

BUSINESS

To maintain a strong and stable supply base, as at the Latest Practicable Date, we have entered into a number of dealerships or distributorships with overseas heavy equipment manufacturers for sales of *Hitachi*, *Ramfos*, *Labounty* and *Ammann* brand of new earthmoving equipment. We approach potential manufacturers for dealership or distributorships based primarily on the following criteria: (i) brand name and reputation; (ii) quality of material used; (iii) creditability and financial condition; and (iv) compatibility with our growth strategies.

Dealership and Distributorship

Our procurement of new earthmoving equipment are governed principally by dealership or distributorship agreements with the relevant suppliers. As at the Latest Practicable Date, our subsisting dealerships or distributorships include:

Brand	Supplier	Location of supplier	Right granted	Geographical coverage	Term	Main products	Minimum purchase commitment	Year of entering into the first dealership/distributorship agreement	Approximate year(s) of business relationship
<i>Hitachi</i>	Hitachi Construction Machinery (Shanghai) Co. Ltd.	The PRC	Dealership	Hong Kong and Macau	From 1 September 2016 to 31 December 2019	Heavy vehicles and genuine spare parts made in Japan	US\$2.65 million of spare parts and a total of 65 units of heavy vehicles for 2017	January 2012	11 years
<i>Ramfos</i>	Tyfos Inc.	Korea	Exclusive distributorship	Hong Kong, Macau and the PRC	From 1 January 2017 to 31 December 2017	Earthmoving attachments and genuine spare parts	US\$0.5 million for 2017	November 2011	5 years
<i>Labounty</i>	The Stanley Works (Shanghai) Co., Ltd	The U.S.	Exclusive distributorship	Hong Kong and Macau	From 1 November 2016 to 31 December 2017	Earthmoving attachments and genuine spare parts	Nil	February 2006	11 years
<i>Ammann</i>	Ammann BauAusrüstung AG	Singapore	Exclusive dealership	Hong Kong and Macau	From 1 September 2016 to the date of termination of the agreement	Heavy vehicles and genuine spare parts	EUR0.3 million for 2017	September 2016	Less than one year

For all the dealerships or distributorships set out above, our business relationships with the manufacturers have been uninterrupted since the commencement of the first dealerships or distributorships agreements. For the distributorships for *Ramfos* and *Labounty* which will expire in December 2017, it has been the usual practice of our Group and such manufacturers to start to negotiate renewal of the distributorships respectively in around September and December.

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Summary of the major terms that are common to most of our subsisting dealership or distribution agreements are set out below:

Pricing:	The prices of the heavy equipment purchased by our Group are determined after arm's length negotiation between the relevant supplier and us and may differ for each purchase order. Some of our dealership or distributorship agreements set the list price for the genuine spare parts provided by the relevant supplier.
Payment term:	Payment term for our purchases of new earthmoving equipment under dealership or distributorship agreements is cash on delivery.
Data collection and marketing:	One dealership agreement typically requires the periodic provision of sales plan, inventory checklist and market information to the relevant earthmoving equipment manufacturer and also requires commitment to the marketing and promotion of the relevant brand.
Minimum purchase commitment:	Our dealership or distributorship agreements usually specify the minimum purchases for a fixed period of time. The failure to meet the minimum purchases may result in the loss of the exclusive status of distributor or even the termination of the agreement. During the Track Record Period and up to the Latest Practicable Date, we have not failed to meet such minimum purchase commitment within the relevant periods.
Termination:	Our dealership or distributorship agreements may be terminated if the minimum purchase commitment is not met. Other reasons for termination include material breach of the agreement, our cessation or close of business, or the revocation or cancellation of our business licence, or our inability to repay debt, or our entering into liquidation, winding up, reorganisation or similar procedures.
Option to renew:	Some of our distributorship agreements contain options to renew unless discontinued or terminated in accordance with the terms of the agreement concerned. For those that do not provide for options to renew, we may negotiate with the relevant supplier for extension of the agreement upon expiration of the term of the relevant agreement.
Aftersales service:	Some of our dealership or distributorship agreements stipulate the provision of standard warranty services to all heavy equipment manufactured by the relevant suppliers.

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Product liability:	Some of the agreements provide for the issue of product liability, for instance, one of the agreements specifies that we may make claims within a period as specified in the agreement in respect of any quality issue of heavy equipment and if the claim is valid and made in time, the supplier will bear its responsible costs after the allocation of liability. For spare parts, the agreement specifies that the supplier will replace the defective products. Other agreements may provide for mechanism of dispute resolution for any disputes arising out of the agreement.
Non-competition:	Some of the agreements forbid the provision of competing or similar products by our Group unless written consent has been obtained.

As at the Latest Practicable Date, save for one distributorship agreement which we elected not to renew, we had been able to renew all of our dealership and distributorship agreements upon expiration. During the Track Record Period, none of our dealership or distributorship agreements were terminated by any of our suppliers, nor did any of our suppliers refuse to renew any of our dealership or distributorship agreements. We do not expect any of our existing dealership or distributorship agreements to have early termination.

According to the Crowe Horwath Report, foreign heavy equipment manufacturers generally do not set up local offices in Hong Kong. Instead, it is common for them to assign dealership or distributorship rights to local heavy equipment service providers. With our established business relationship with these manufacturers which our Directors consider have given rise to mutual benefits between the manufacturers and our Group, our Directors believe that there will not be any difficulty in renewing these agreements upon expiration.

Our dealership with HCS

HCS, our largest supplier throughout the Track Record Period, is a subsidiary of the group owned by Hitachi Construction Machinery Co., Ltd., an internationally renowned and leading manufacturer of heavy equipment. Our business relationship with their group began when we purchased from one of their group companies in November 2006. With a view to solidify our long standing business relationship with their group, we entered into our first dealership agreement with HCS in 2012, pursuant to which HCS appointed Tak Lee Machinery as the dealer of various earthmoving equipment in Hong Kong and Macau for a term of one year. Since then, we renewed our dealership agreement with HCS uninterruptedly in 2013, 2014, 2015 and 2016. As at the Latest Practicable Date, we were the only authorised dealer for HCS's new heavy equipment in Hong Kong and Macau. The supply of products from HCS has remained stable and uninterrupted since we first purchased from HCS. We believe that our stable relationship with their group was due to our reputation in the heavy equipment industry and our extensive knowledge and experience of the technical skills and the local market which help to introduce and entrench the brand of *Hitachi* within the industry.

BUSINESS

We signed the dealership agreement currently in force on 1 September 2016, and the term of our current dealership agreement with HCS is three years and four months and shall expire on 31 December 2019.

We believe that our business relationship with HCS will continue to be stable based on two factors:

- (i) our business relationship with HCS is mutually beneficial, as we are the only authorised dealer of HCS's new heavy equipment in Hong Kong and Macau as at the Latest Practicable Date and except our Group HCS has not entered into dealership agreement with any third parties in Hong Kong and Macau. In addition, we have entered into a long-term dealership agreement with HCS for over three years. We believe that through our effort in cultivating relationships with customers to promote *Hitachi* brands in Hong Kong and Macau in the past, we gained recognition from heavy equipment users within the industry as the dealer of HCS which allows HCS to rely on us for its business activities in Hong Kong and Macau. We consider that it would be difficult for any heavy equipment supplier to identify a dealer which would have, or would be able to replicate such knowledge and experience of the technical skills and the local market comparable to ours in Hong Kong within a short period of time, and
- (ii) we have developed a strategic and strong business relationship with HCS since our first dealership agreement in 2012, which will continue to be effective until December 2019 in accordance with the terms of the dealership agreement currently in force. We have maintained close business relationship with HCS, for instance, our Directors regularly visit the offices of HCS to discuss with their senior management on the prevailing market conditions, the industry trend and the popularity of products. Given our long standing and stable relationship, there has been no material change in our major business terms with HCS during the Track Record Period and up to the Latest Practicable Date. We are not aware of any major obstacles in renewing the agreement with HCS, given the fact that we have complied with the major terms and conditions set out in the previous and current dealership agreements.

We believe that our long and stable business relationship with HCS established over the last 5 years will not deteriorate to an extent which will cause our agreement with them to be terminated. In the unlikely event that our business relationship with HCS deteriorates at the time of expiration of our current dealership agreement in December 2019, we believe that we will be capable in adjusting efficiently our business strategy and operation to minimise disruption of our business, given the connections with suppliers we have built over the years and the availability of alternative suppliers within the industry. Depending on the then market conditions and the business trends, we will increase our purchases with our other suppliers. Our Directors do not anticipate substantial difficulty in sourcing additional products from our other existing suppliers.

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In addition, we can source heavy equipment from other suitable sources. We have from time to time identified and discussed with prospective heavy equipment manufacturers or suppliers based on the future trend of the industry and the insights of our Directors. We have established stable relationships with various heavy equipment suppliers, including some of our top five suppliers during the Track Record Period. In particular, we have continued to seek to enter into suitable dealership and distributorship. We have secured a new dealership of a Swiss heavy equipment brand during the Track Record Period. We understand that heavy equipment manufacturers have stringent requirement in selecting their preferred dealers or distributors, in particular, the reputation, the scale of operation, the years of experience in the market, the ability to provide maintenance and repair service at their expected standards and the presence of a strong customer base. We believe we are able to meet such criteria and hence we do not anticipate great difficulty in negotiating and securing further dealership and distributorship of other brands and from other suppliers. To the best knowledge of our Directors, there are readily available alternative suppliers which can offer similar products with comparable quality and pricing terms in the event our supply arrangement with HCS is disrupted or terminated, as we have previously been approached by alternative suppliers to discuss on potential modes of cooperation, including the granting of distributorship. We also believe our Group has the ability to replicate our business relationship with HCS in our development of business relationship with other manufacturers and suppliers.

We have continued to expand our supplier base to ensure a stable supply of new and used equipment. For instance, the number of our suppliers has increased from 92 for the year ended 31 July 2015 to 102 for the year ended 31 July 2016, and the number of our suppliers was 66 for the six months ended 31 January 2017. As we sourced a wide range of new and used heavy equipment from over 90 suppliers (including heavy equipment manufacturers whom we consider have good reputation for product quality and reliability) for each of the two years ended 31 July 2015 and 2016 which enabled us to offer to our customers a wide range of new and used earthmoving equipment, and given our business relationship with these suppliers, our Directors believe that our volume of purchase from these alternative suppliers can be readily increased if we find our Group in need to do so without much difficulty to satisfy the needs of our customers. Our purchase from suppliers other than HCS increased by approximately HK\$34.8 million, or approximately 37.3%, from approximately HK\$93.4 million for the year ended 31 July 2015 to approximately HK\$128.2 million for the year ended 31 July 2016. Such increase was also the result of the surge of demand in used heavy equipment in 2016. The revenue attributable to our sales of used heavy equipment increased by approximately HK\$63.9 million, or approximately 81.7%, from approximately HK\$78.2 million for the year ended 31 July 2015 to approximately HK\$142.1 million for the year ended 31 July 2016. The revenue attributable to such sales also increased from approximately HK\$50.8 million for the six months ended 31 January 2016 to approximately HK\$61.2 million for the corresponding period in 2017. As we mainly purchase new heavy equipment from HCS for sale, our Directors believe that the increasing demand for the sale of used heavy equipment, which is relatively stronger than the increasing demand for new heavy equipment, will gradually increase our purchase of used heavy equipment and balance our purchases new and used heavy equipment, and in turn, minimise any possibility of undue reliance on HCS. Moreover, our new dealership secured from other manufacturer during the Track Record Period may also reduce our reliance on HCS.

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Having considered the aforesaid factors, we believe that in the unlikely event that our dealership with HCS is terminated, our results of operations, financial condition and growth prospects will not have a significant adverse effect in the long term. Based on our past experience, it may take two months to secure any sourcing arrangement or dealership or distributorship agreement to introduce a new brand to our current product offering. However, in the unlikely event that our dealership agreement with HCS is terminated or that our dealership agreement is not renewed upon its expiration in December 2019, there is no assurance that we may be able to procure alternative equipment in a timely manner as planned and that the demand for used heavy equipment will continue to grow as expected, in such cases, our operations and business may be significantly interrupted. For further details of the relevant risks, please refer to the sub-section “Risks relating to our business” in the section “Risk factors” of this prospectus.

OEM and ODM partner

We have engaged an Italy-based manufacturer to manufacture our own-brand earthmoving attachment on OEM and ODM basis since February 2015. We have entered into a long-term supply agreement with the manufacturer which shall expire in December 2021. Relying on the firsthand industry information obtained from our business operation, we work with the manufacturer to improve and develop earthmoving attachment.

The major terms of our agreement with the OEM and ODM partner is set out below:

Scope:	Earthmoving attachment shall be designed, manufactured, assembled and supplied on OEM and ODM basis to our Group in accordance with the designs, specifications, quality standards and/or any other information provided by our Group.
Branding:	We are permitted to promote, advertise, distribute and sell the earthmoving attachment under the brand and trademark of our Group.
Termination:	Our supply agreement may be terminated by either party giving to the other party six months’ written notice of termination.

Our purchases from our OEM and ODM partner were approximately HK\$1.5 million, HK\$6.1 million and HK\$0.4 million for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 respectively.

Earthmoving equipment traders

We source some new earthmoving equipment and mostly used earthmoving equipment from trading companies, brokers, and overseas earthmoving equipment dealers. From time to time, we are also approached by used earthmoving equipment owners in Hong Kong to sell or trade in their equipment. We purchase from used earthmoving equipment traders on a number of criteria, such as age, operating hours, condition, quality, price, product availability, delivery options and rarity in market.

BUSINESS

Our purchases from earthmoving equipment traders were approximately HK\$5.3 million, HK\$21.9 million and HK\$18.8 million for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, respectively, which were approximately 2.5%, 9.5% and 19.5% of our total purchases for the respective periods.

Overseas auctions

We participate in the auctions held in Japan, Australia and New Zealand. We receive information of the auctions and product catalogues from time to time and we place bid only on used earthmoving equipment of well-recognised brands after evaluation.

Our purchases from auction were approximately HK\$7.7 million, HK\$1.5 million and HK\$35.4 million for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, respectively, which were approximately 3.6%, 0.6% and 36.8% of our total purchases for the respective periods.

Our purchases from the top five suppliers for the year ended 31 July 2015 and 2016 and the six months ended 31 January 2017, amounted to approximately HK\$150.3 million, HK\$156.7 million and HK\$60.9 million respectively, representing approximately 70.1%, 67.9% and 63.2% of our total purchases. Purchases from HCS, our largest supplier of our Group for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, amounted to approximately HK\$121.0 million, HK\$102.6 million and HK\$31.0 million, representing approximately 56.4%, 44.4% and 32.2% of our total purchases respectively. For further details of our business relationship with HCS, please refer to the sub-section “Suppliers and procurement – Dealership and distributorship – Our dealership with HCS” in this section.

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The following table sets out brief particulars of our top five suppliers during the Track Record Period:

Rank	Supplier	Approximate years of business relationship	Background information	Year ended 31 July 2015		Credit period	Payment method
				Approximate percentage of our total purchases			
1	HCS	11 years	Heavy equipment manufacturer	56.4%		Nil for equipment; 60 days for spare parts	Telegraphic transfer or import loans
2	Supplier A	5 years	Heavy equipment manufacturer	4.9%		N/A	Telegraphic transfer
3	Supplier B	9 years	Earthmoving equipment trader	4.0%		N/A	Telegraphic transfer or import loans
4	Supplier C	3 years	Earthmoving equipment trader	2.5%		N/A	Telegraphic transfer
5	Supplier D	10 years	Earthmoving equipment trader	2.2%		N/A	Telegraphic transfer

Rank	Supplier	Approximate years of business relationship	Background information	Year ended 31 July 2016		Credit period	Payment method
				Approximate percentage of our total purchases			
1	HCS	11 years	Heavy equipment manufacturer	44.4%		Nil for equipment; 60 days for spare parts	Telegraphic transfer or import loans
2	Supplier E	14 years	Earthmoving equipment trader	9.3%		N/A	By cheque
3	Supplier F	5 years	Earthmoving equipment trader	7.2%		N/A	By cheque or bank transfer
4	Supplier G	10 years	Earthmoving equipment trader	3.6%		N/A	Telegraphic transfer or import loans
5	Supplier B	9 years	Earthmoving equipment trader	3.4%		N/A	Telegraphic transfer or import loans

BUSINESS

Six months ended 31 January 2017						
Rank	Supplier	Approximate years of business relationship	Background information	Approximate percentage of our total purchases	Credit period	Payment method
1	HCS	11 years	Heavy equipment manufacturer	32.2%	Nil for equipment; 60 days for spare parts	Telegraphic transfer or import loans
2	Supplier G	10 years	Earthmoving equipment trader	13.1%	N/A	Telegraphic transfer or import loans
3	Supplier F	5 years	Earthmoving equipment trader	7.8%	N/A	By cheque or bank transfer
4	Supplier H	10 years	Earthmoving equipment trader	5.1%	N/A	Telegraphic transfer or import loans
5	Supplier I	1 year	Earthmoving equipment trader	5.1%	N/A	By cheque

None of our Directors or their associates or any Shareholder who owns more than 5% of the issued share capital of our Company has, to the best knowledge of our Directors, any interest in any of the top five suppliers of our Group during the Track Record Period. Except for Supplier F and Supplier I, none of the major suppliers were the customers of our Group, details of which are set out below:

- for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, our revenue generated from our total sales to Supplier F and Supplier I amounted to approximately HK\$4.9 million, HK\$10.4 million and HK\$2.4 million, respectively, which amounted to approximately 1.6%, 3.2% and 1.9% of our total revenue; and
- for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, our gross profit generated from Supplier F and Supplier I constituted approximately 2.7%, 5.8% and 2.8% of the total gross profit, respectively.

Warehousing and delivery

Depending on the terms of the sales or leasing agreements, we can arrange for the delivery or our customers (or logistic companies on their behalf) may collect the earthmoving equipment from our warehouse by themselves. If we are to arrange for the delivery of the products, we will engage third-party logistics company and the costs and risks of logistics is borne by our customers.

We maintain a list of approved service providers and such list is updated on a regular basis. We select our service providers based on our past dealings.

Inventory control

We adopt inventory control policy to ensure adequate inventory levels to operate our sales and leasing businesses successfully and to prevent accumulation of excess inventory across all product categories. Our inventory balance mainly comprises used earthmoving equipment for sales and spare parts for the repair, maintenance and refurbishment of earthmoving equipment. As at 31 July 2015, 31 July 2016 and 31 January 2017, our inventories amounted to approximately HK\$120.3 million, HK\$108.9 million and HK\$99.7 million, respectively.

Our senior management determines the optimal inventory level by various criteria, including the forecast demand, the forecast supply availability and the implementation of new environmental laws and regulations as well as the monthly sales performance of used earthmoving equipment and spare parts. Based on these pointers and information, we replenish our inventory levels for used earthmoving equipment and spare parts regularly. We are generally able to keep our inventory levels at a stable and optimal level because the demand for used earthmoving equipment and spare parts is high throughout the year based on historical sales. In the case of a slow moving inventory for a particular product, we may sell the product at a discount.

In respect of new earthmoving equipment, we typically place purchase orders with our suppliers after confirmation with our customers. However, from time to time, based on market trends, sales projections, relevant exchange rates and expected time for obtaining new inventory, we may also purchase new earthmoving equipment as ready stock before securing any orders from our customers.

We maintain detailed documentation for our inventory in accordance with our inventory control policy under ISO 9001:2015 standard. Our earthmoving equipment and spare parts may only be removed from storage with prior approval of our senior management in writing. We also conduct a unit-by-unit physical stock take every year.

Our Directors consider that our risk of inventory obsolescence is low because our inventories are durable goods and we are generally able to sell them prior to their obsolescence. As at 31 July 2015 and 2016 and 31 January 2017, our average inventory turnover days are 204, 171 and 194 days respectively.

Quality control and assurance

Our technical team is responsible for quality control, which comprises 13 technicians and each of them possesses in-depth specialist knowledge and expertise in earthmoving equipment. All of our technicians have obtained professional qualifications or licences such as the “Construction Workers Registration Card”, the “Green Card” and the “Certificate for Operation of Counter-balanced Type Fork-lift Truck”. For some of our technicians which are also operators, they have obtained “Certificate of Confined Space Certified Worker” and are qualified to manoeuvre the relevant heavy equipment. From time to time, we arrange for our technicians to attend training courses organised by our suppliers. We also provide on-going training to our technicians regarding the level of quality expected.

Quality control for outgoing products

Our technical team conducts inspection for our leased earthmoving equipment and prepares condition reports on each earthmoving equipment when they are received or removed from the warehouse.

We conduct a final component check on our leased earthmoving equipment to ensure smooth operation prior to its delivery. In the case our earthmoving equipment is disassembled for delivery, we also conduct checks after its assembly on site.

When the leased earthmoving equipment is returned to the warehouse, we will also conduct repair and maintenance work to ensure that it is in satisfactory condition.

From time to time, we inspect our fleet to ensure the equipment is in safe and usable condition. All our quality control activities are documented under ISO 9001:2015 standard.

Quality control on incoming products

All of our earthmoving equipment sold and leased for use in Hong Kong were in compliance with the NRMM Regulations and any other applicable laws and regulations of Hong Kong during the Track Record Period and up to the Latest Practicable Date. Our senior management closely monitors the latest requirements imposed on our earthmoving equipment. Moreover, as at the Latest Practicable Date, all the earthmoving equipment that we purchased from our suppliers were in compliance with the relevant international standards for the relevant period, such as the current United States Tier 3 emission standards and European Union Stage III A emission standards.

We conduct detailed check and examination on products upon their delivery to our premises, in particular, the examination of the earthmoving equipment and spare parts with the technical specifications by our warehousing staff based on product manuals and the terms of the purchase orders.

Products recalls, returns and warranty

During the Track Record Period, we had not experienced any material disputes arising from or in connection with the quality of our products. We typically do not allow product return or refunds after customers have accepted delivery unless such defect of the equipment is attributable to us in which case we shall repair such equipment free of charge.

We generally provide product warranty for our new heavy equipment which covers any manufacturing defect of our products. We do not provide warranty for our used earthmoving equipment as we perform component checks prior to delivery. For further information, please refer to the sub-section “Our business model – Sales business – After-sales service” in this section.

BUSINESS

During the Track Record Period, we did not encounter any design defects or any non-conformance to the specifications of the ordered product, nor did we track any safety problem caused by our products. In the event that any new earthmoving equipment is found defective, we can recover payment for the replacement of the products or the spare parts from our manufacturer under the relevant dealership or distributorship agreements.

During the Track Record Period, we did not encounter any recall or return of products or warranty claims in relationship to design or manufacturing defects for the equipment we sold.

Feedback management

We consider customers' feedback as our guide to providing better services. We have established a detailed set of procedures for collecting and processing feedback and complaints from customers. During the Track Record Period, we did not receive any material complaints from our customers.

HEDGING

During the Track Record Period, we had not engaged in any hedging activity or entered into any futures contract.

LEGAL COMPLIANCE, LICENCES AND PERMITS

We have obtained all necessary licences, approvals and permits from the relevant governmental authorities for our business operations in Hong Kong.

During the Track Record Period and as at the Latest Practicable Date, our Group had complied in all material respects with all applicable laws, rules and regulations in Hong Kong.

AWARDS AND ACCREDITATIONS

We were accredited to ISO 9001:2008 for the quality of our services in supply, installation and maintenance of excavators and supply of hydraulic hammers by SGS from 2013 to 2017, and have been certified under ISO 9001: 2015 for the quality of our services in supply, rental, installation and maintenance of excavators, breakers and generators since 2017.

Our quality products and services received accolades from our customers. In 2014, we received a letter of appreciation from our customer, a joint venture which is engaged for the construction of the Admiralty Station of the Shatin to Central Link project, for our professional support.

We are deeply committed to good corporate citizenship. In recognition of our contributions to the community and the environment, we have been awarded with the "Caring Company" by the Hong Kong Council of Social Service since 2014.

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SEASONALITY

The earthmoving equipment services industry in Hong Kong does not exhibit any significant seasonality. Therefore, there is no disproportionate impact on our business due to the seasonal trends in Hong Kong.

PROPERTIES

During the Track Record Period and up to the Latest Practicable Date, our Group did not have any self-owned property. As at the Latest Practicable Date, we had leased a parcel of land as our workshop, warehouse facility and office and one premises as director's quarter from Independent Third Parties. The following table sets out certain information of the leased properties:

Leasee	Location	Usage	Approximate gross floor area (sq. ft)	Lease expiration date	Term (year)
Success Sky	Yuen Long, New Territories, Hong Kong	Workshop, warehouse facility and office	39,000	31 May 2018	2
Tak Lee Machinery	Central, Hong Kong Island, Hong Kong	Director's quarter	over 2,500	27 April 2019	2

For each of the two years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, our expenses for property rental, rates, utility charges, and building management fees were approximately HK\$2.7 million, HK\$2.6 million and HK\$1.3 million, respectively.

During the Track Record Period, we did not experience any difficulty in renewing our leases.

EMPLOYEES

As at 31 July 2015, 31 July 2016, 31 January 2017 and the Latest Practicable Date, we had 34, 39, 32 and 41 full-time employees, respectively. The following table sets out the number of our full-time employees by functions as at the Latest Practicable Date:

	Number of employees
Management	5
Administration, accounting and finance	4
Sales and marketing	5
Technical and maintenance	13
Procurement, warehousing and logistics	2
Operators	12
Total	41

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Our Directors recognise that the success of our Group depends to a large extent on the retention of our skilled, motivated and stable workforce. Therefore, we provide various welfare to our employees. The remuneration package includes salary, allowances, and bonus. For each of the two years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, our total staff costs were approximately HK\$16.9 million, HK\$14.4 million and HK\$7.1 million respectively.

Our Directors believe that our Group's relationship with its employees has been and continue to be good. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any strike, labour dispute or other labour disturbances which have materially and adversely interrupted our operations.

RESEARCH AND DEVELOPMENT

We do not undertake formal research and development activities. However, our technicians often build on their technical expertise to develop techniques to modify and improve our products. Based on such technical expertise, we provide professional support to our OEM and ODM partner in order to develop OEM and ODM products which are tailor-made for the earthmoving equipment users in Hong Kong.

INTELLECTUAL PROPERTY RIGHTS

According to our dealership or distributorship agreements, we are authorised to use the brand names, logos, trademarks and other forms of branding in a manner consistent with the requirements of the relevant earthmoving equipment manufacturers for the marketing of the products we sell under our dealership and distributorships.

As at the Latest Practicable Date, our Group had two registered trademarks of "TLMC" in Hong Kong. As at the Latest Practicable Date, our Group was also the owner of one domain name. Details of our registered trademarks and domain name are set out in the sub-section headed "B. Information about the business – 2. Intellectual property rights of our Group" in Appendix IV to this prospectus. While we rely to a certain extent on our brand name when we promote and market our Group, our business is otherwise not materially dependent on any intellectual property rights.

Save for the two registered trademarks and the domain name, there are no patents or other intellectual property rights which are material to our Group's business or profitability.

We are not aware of any infringement by us of any intellectual property rights owned by third parties, or by any third parties of any intellectual property rights owned by us.

INSURANCE

We have maintained a range of insurance coverage for our operation that is customary for the earthmoving equipment services industry, including fire insurance, public liability insurance, motor insurance, medical insurance and employee compensation insurance.

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In addition to our employer compensation insurance which covers our general staff, we require customers to provide relevant insurance which covers our leased equipment, operators and technicians at the construction sites. Upon entering into the leasing contracts, our customers, being the main contractors or project owners, must provide proof of master insurance policies such as Plant All Risk insurance or Contractor's All Risk insurance which must cover claims that may arise from personal injury and loss of or damage to properties of up to HK\$200 million. In the event that our leased equipment or operators sustained damage or injury, we will claim directly against the insurers of our customers for any liabilities, compensations and losses.

Our Directors consider our insurance coverage is appropriate for our needs and for our operation. As at the Latest Practicable Date, we had not experienced any significant loss or damage to our properties.

MARKET AND COMPETITION

We operate in a growing industry. According to the Crowe Horwath Report, the demand for earthmoving equipment has been rising due to the substantial increase in activities of the industries and sectors our customers operate in in Hong Kong, particularly in civil engineering and construction. The gross value of construction works performed for private and public sectors in Hong Kong alone grew at a CAGR of 4.2% from 2011 to 2015. The growth of the industry is also attributable to the increased level of infrastructure spending by the Hong Kong government and a tighter regulatory regime on environmental protection in Hong Kong. Please refer to the section headed "Industry overview" of this prospectus for further details.

According to the Crowe Horwath Report, there were approximately 100 to 150 heavy equipment service providers in Hong Kong in 2016. By its nature, the earthmoving equipment services industry poses several barriers to entry. These barriers include proven track record in the industry, experienced and qualified staff, large initial capital investment and well established relationship with suppliers. From the perspective of business environment, the strong influence of established industry players can be observed, while there is little regulation or mediation from the government to make more leeway for new entrants. Additionally, the nature of the industry also features a set of demanding requirements, making it hard for start-up companies operating in the field. Please refer to the section headed "Industry overview" of this prospectus for details of the competitive landscape of the industry.

As a result of the market dynamics, our leadership position, our one-stop shop setup, our quality services and our proven track record of our scale operations, our Directors believe that we are well positioned to benefit from these significant barriers to entry. Our Directors believe that our competitive strengths as illustrated in the paragraphs headed "Our competitive strengths" in this section have enabled us to stand out from our competitors in the industry.

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ENVIRONMENTAL MATTERS

Our operation in sales, leasing and maintenance and repair of earthmoving equipment is subject to the NRMM Regulation. Starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites, container terminals and back up facilities and designated waste disposal facilities. For further information of the NRMM Regulation, please refer to the section “Regulatory overview” of this prospectus. As at the Latest Practicable Date, we have obtained approval or exemption for all our machines that are subject to the NRMM Regulation. The table below sets out the details of exempted and approved NRMMs owned by our Group as at the Latest Practicable Date:

	Exempted NRMM		Approved NRMM	
	<i>Unit</i>	<i>Carrying value HK\$'000</i>	<i>Unit</i>	<i>Carrying value HK\$'000</i>
Inventory	26	9,407	255	103,328
Leasing fleet	6	4,794	43	20,381
	<u>32</u>	<u>14,201</u>	<u>298</u>	<u>123,709</u>

We intend to gradually phase out all exempted NRMMs owned by our Group through sales before the implementation plan for the phasing out of exempted NRMMs in new capital works contracts takes full effect. We expect that the market could absorb all of the exempted NRMMs owned by our Group because exempted NRMMs including excavators and crawler cranes can still be used in tenders of new capital work contracts invited before 31 May 2019. The number of our exempted NRMMs has already reduced from 127 as at 31 July 2015 to 83 as at 31 July 2016 and further to 32 as at the Latest Practicable Date. In any event, we consider these exempted NRMMs can be sold to customers in relatively low end markets from outside of Hong Kong for use in these markets which impose lower emission standards.

Going forward, our Directors expect our Group will mainly purchase approved NRMMs for our new products offering. Our Directors expect our Group may need to purchase some used exempted NRMMs upon customers' requests.

We have also taken our own initiative to provide new, notably quieter, more environmentally friendly and efficient equipment to the heavy equipment industry which benefited the environment of Hong Kong. We have obtained QPME Labels for approximately 70.5% and 72.7% of our new equipment procured during the year ended 31 July 2016 and the six months ended 31 January 2017 which are applicable for the QPME System, and we aim at gradually increasing the number of equipment with QPME Labels in the future. We believe that our customers would opt for such environmentally-friendly products, especially when the government is encouraging the use of environmentally-friendly equipment in public projects.

OCCUPATIONAL HEALTH AND SAFETY

We have in place safety guidelines and operating manuals provided by suppliers setting out safety measures for our operations, which cover the proper operation and usage of equipment and machinery and accident reporting procedures. In addition, we provide safety gear to our employees when they are performing potential hazardous tasks. The Company will provide training for technical know-how updates to employees from time to time.

To the best knowledge of our Directors, we have not encountered any incidents or complaints during the Track Record Period and up to the Latest Practicable Date that would materially and adversely affect our operations.

CORPORATE SOCIAL RESPONSIBILITY

We are committed to social responsibility as we consider it an integral part of our corporate culture and value. We believe in the importance of building a sustainable community.

We actively support charitable and non-profit organisations in our community, which include our regular sponsorship of charitable causes which we consider worthy. During the Track Record Period, we have supported the “7.7 MSF Day Campaign” of Médecins Sans Frontières Hong Kong by being the key sponsor since 2014 and raised approximately HK\$0.5 million each year for the organisation. We pride ourselves on our commitment to a better community and we intend to continue our efforts in this regard.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Group has maintained internal control policies to provide sufficient guidelines for our senior management and employees to work efficiently under a standardised work procedure. Our internal control system is generally overseen by our executive Directors and senior management.

In order to manage our external and internal risks and to ensure the smooth operation of our business, we have engaged an independent internal control reviewer (the “**Internal Control Consultant**”) in December 2015 to assist our Group to review our internal control system and provide recommendations for improving our internal control system. The Internal Control Consultant has conducted certain agreed-upon review procedures and concluded no material finding on our internal control system in certain aspects, including revenue, sales and leasing process, purchases, fixed assets management, human resources, financial reporting and information technology.

Based on the above, our Directors are of the view that we have taken reasonable steps to establish an internal control system and procedures to manage the risks to which our operations are exposed and enhance the control environment at both the working and management levels.

BUSINESS

CORPORATE GOVERNANCE

In order to continuously improve our corporate governance, we intend to adopt or have adopted the following measures to ensure on-going compliance with various applicable laws and regulations:

- (i) we engaged an internal control consultant to review our Group's internal control systems and procedures in December 2015. We have adopted or will adopt measures and policies to enhance our internal control systems and to ensure that our operations will be in full compliance with the applicable laws and regulations;
- (ii) a memorandum entitled "Memorandum on the Duties and Responsibilities of the Directors" prepared by the Hong Kong legal advisers, setting out, among other things, the ongoing regulatory requirements of our Directors after the Listing, had been distributed to and reviewed by our Directors in September 2016;
- (iii) our Directors and company secretary attended training session in September 2016 conducted by the Hong Kong legal advisers on the on applicable laws and regulations in Hong Kong, including the GEM Listing Rules;
- (iv) we have established an audit committee, which will set up formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations;
- (v) we have strengthened our accounting team by appointing Ms. Ng Wai Ying as our chief financial officer. For further details of Ms. Ng Wai Ying's qualifications and experience, please refer to the section headed "Directors and senior management" of this prospectus;
- (vi) we have appointed Ms. Ng Wai Ying as our compliance officer to ensure the compliance of our operation with the relevant laws and regulations; and
- (vii) we have appointed Southwest HK Capital as our compliance adviser upon the Listing to advise on compliance matters in accordance with the GEM Listing Rules.

Our Directors are of the view that adequate corporate governance measures are in place for our business operations.

LITIGATION AND POTENTIAL CLAIMS

To the best knowledge of our Directors, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group that would have a material or adverse effect on our results of operations or financial condition.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business.

The following table sets out certain information in respect of the members of our Board:

Name	Age	Date of joining our Group	Present position	Principal role and responsibilities	Date of appointment as Director	Relationship with other Directors(s) and/or senior management
Mr. CHOW Luen Fat (周聯發)	44	March 2001	Executive Director, Chairman and chief executive officer	Responsible for overall management, strategic planning, procurement and development	11 December 2015	Spouse of Ms. Cheng Ju Wen
Ms. LIU Shuk Yee (廖淑儀)	32	August 2002	Executive Director	Responsible for sales and marketing, operation, procurement and development	4 August 2016	Nil
Ms. NG Wai Ying (吳慧瑩)	43	May 2016	Executive Director and chief financial officer	Responsible for the overall financial affairs and management and company secretarial matters	4 August 2016	Nil
Ms. CHENG Ju Wen (鄭如雯)	45	March 2001	Non-executive Director	Responsible for strategic planning and business development	11 December 2015	Spouse of Mr. Chow Luen Fat
Mr. KWOK Siu Man (郭兆文)	58	30 June 2017	Independent non-executive Director	Responsible for providing independent advice to the Board	30 June 2017	Nil
Mr. LAW Tze Lun (羅子麟)	44	30 June 2017	Independent non-executive Director	Responsible for providing independent advice to the Board	30 June 2017	Nil
Mr. WONG Man Hin Raymond (黃文顯)	51	30 June 2017	Independent non-executive Director	Responsible for providing independent advice to the Board	30 June 2017	Nil

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHOW Luen Fat (周聯發) is the chairman of our Board and the chief executive officer. Mr. Chow was appointed as our Director on 11 December 2015 and was re-designated as our executive Director on 4 August 2016. Mr. Chow is primarily responsible for overall management, strategic planning, procurement and development of our Group. Mr. Chow is the spouse of Ms. Cheng Ju Wen, a non-executive Director of our Company.

Mr. Chow has more than 19 years of experience in the heavy equipment industry. Prior to founding our Group, Mr. Chow worked for Shing Lee Construction Machinery Co. Limited from March 1998 and his last position was purchasing and sales manager when he left in February 1999. During such period, he was responsible for purchasing and sales of heavy equipment. From 1999 to 2001, Mr. Chow operated Tak Lee Machinery Company, an unlimited company in Hong Kong, which was engaged in the sales of used heavy equipment in Hong Kong. In March 2001, Mr. Chow co-founded Tak Lee Machinery with Ms. Cheng and acted as a director of Tak Lee Machinery. Subsequently, together with Ms. Cheng, Mr. Chow incorporated our subsidiaries, namely, Econsmart and Success Sky in September 2001 and October 2010, respectively, and has since been serving as a director of these subsidiaries.

Mr. Chow served on the Hong Kong Construction Machinery Association (which was subsequently incorporated as the Hong Kong Construction Machinery Association Company Limited on 24 December 2009) as the president from July 2005 to June 2006 and has been serving as the honorary president from July 2007 for a term of ten years ending in June 2017.

Mr. Chow obtained a bachelor's degree in engineering from Tohwa University in Japan in March 1998.

Mr. Chow was a director of the following companies, which were incorporated in Hong Kong prior to their respective dissolution:

Name of Company	Date of dissolution	Means of dissolution	Business nature
Chain Success Limited	3 August 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)	Investment holding
Everfull (H.K.) Limited	26 July 2013	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)	Investment holding
Max Control Limited	16 August 2013	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)	Investment holding
Mega Colour Development Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)	Investment holding
Most Point Limited	27 May 2016	Dissolved by deregistration pursuant to section 750 of the Companies Ordinance (<i>Note</i>)	Investment holding
Sheenford Holdings Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)	Investment holding
Starter Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)	Investment holding

DIRECTORS AND SENIOR MANAGEMENT

Name of Company	Date of dissolution	Means of dissolution	Business nature
Top Asset Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)	Investment holding
Twin Wealth Limited	26 March 2010	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)	Investment holding
Win Step Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)	Investment holding

Note: Under section 750 of the Companies Ordinance and section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities.

As at the Latest Practicable Date, Mr. Chow was involved in a Hong Kong police investigation for alleged common assault in January 2016. As at the Latest Practicable Date, as far as Mr. Chow was aware, no charge or prosecution was brought against him in respect of the allegation.

Having sought legal advice from Legal Counsel, in which it was opined that the alleged incident had no connection with any dishonesty or anything that would affect Mr. Chow's integrity, competence and ability as a director, the Directors considered that the alleged incident would not call into question the suitability of Mr. Chow as a director under Rule 5.01 and Rule 5.02 of the GEM Listing Rules. The Sponsor, after having reviewed the legal advice from Legal Counsel, made reasonable enquires with our Company and performed due diligence works, concurred, that the allegation would not call into question the suitability of Mr. Chow as a director of our Company under Rule 5.01 and Rule 5.02 of the GEM Listing Rules. Mr. Chow intended to continue to act as a Director of the Company in the unlikely event of being prosecuted and convicted.

Ms. LIU Shuk Yee (廖淑儀) was appointed as our executive Director on 4 August 2016 and is primarily responsible for the sales and marketing, operation, procurement and development of our Group. Ms. Liu has approximately 15 years of experience in the heavy equipment industry. She joined our Group in August 2002 as a sales officer, mainly responsible for liaising with customers for the purchase order and the delivery of heavy equipment and marketing, and was promoted progressively over the years to manager in July 2009, primarily responsible for overseeing the marketing function and the general operation, and senior manager in December 2010, mainly responsible for the management of sales and marketing function and overseeing the day-to-day operation.

Ms. Liu obtained a bachelor's degree of arts in business administration and management from De Montfort University in the United Kingdom through a long distance learning course in September 2013.

Ms. NG Wai Ying (吳慧瑩), CPA & FCCA, was appointed as our executive Director and the company secretary of our Company on 4 August 2016. She has been appointed as the chief financial officer since May 2016. Ms. Ng is primarily responsible for the overall financial affairs and management and company secretarial matters of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Ng has over 21 years of experience in auditing and financial management. From July 1995 to March 1997, Ms. Ng worked as an audit assistant in Morison Heng CPA Limited and was responsible for external auditing. Ms. Ng joined Deloitte Touche Tohmatsu in August 1997 and her last position was senior accountant when she left in May 2000, and she was responsible for various external auditing, initial public offering and due diligence projects. From July 2000 to July 2001, Ms. Ng joined Sino-i.com Limited as an accountant. From July 2001, Ms. Ng worked as the accounting manager at Asia Aluminum Holdings Limited and her last position was financial controller when she left in March 2009, and she was responsible for the overall financial affairs. From August 2009 to November 2015, Ms. Ng was the financial controller in Trillion New HK Limited and she was responsible for financial reporting, capital markets and financing activities and department management.

Ms. Ng graduated from The Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy in October 1995. Ms. Ng has been admitted as a fellow member of The Association of Chartered Certified Accountants since October 2003. Ms. Ng has also been admitted as a member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since October 1998.

NON-EXECUTIVE DIRECTOR

Ms. CHENG Ju Wen (鄭如雯) was appointed as our Director on 11 December 2015 and was re-designated as our non-executive Director on 4 August 2016. Ms. Cheng is primarily responsible for strategic planning and business development of the Group. Ms. Cheng is the spouse of Mr. Chow Luen Fat, an executive Director of our Company.

From 1999 to 2001, Ms. Cheng operated Tak Lee Machinery Company, an unlimited company in Hong Kong, which was engaged in the sales of used heavy equipment in Hong Kong. In March 2001, Ms. Cheng co-founded and acted as a director of Tak Lee Machinery. Subsequently, together with Mr. Chow, Ms. Cheng incorporated our subsidiaries, namely, Econsmart and Success Sky in September 2001 and October 2010, respectively, and has since been serving as a director of these subsidiaries.

Ms. Cheng obtained a bachelor's degree in engineering from Tohwa University in Japan in March 1998.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Cheng was a director of the following companies, which were incorporated in Hong Kong prior to their respective dissolution:

Name of Company	Date of dissolution	Means of dissolution	Business nature
Chain Success Limited	3 August 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (Note)	Investment holding
Everfull (H.K.) Limited	26 July 2013	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (Note)	Investment holding
Max Control Limited	16 August 2013	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (Note)	Investment holding
Mega Colour Development Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (Note)	Investment holding
Most Point Limited	27 May 2016	Dissolved by deregistration pursuant to section 750 of the Companies Ordinance (Note)	Investment holding
Starter Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (Note)	Investment holding
Top Asset Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (Note)	Investment holding
Twin Wealth Limited	26 March 2010	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (Note)	Investment holding
Win Step Limited	28 December 2012	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (Note)	Investment holding

Note: Under section 750 of the Companies Ordinance and section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWOK Siu Man (郭兆文) was appointed as our independent non-executive Director on 30 June 2017. He is primarily responsible for providing independent advice to our Board.

Mr. Kwok has over 25 years of experience in compliance and corporate secretarial and management by working for, including but not limited to, the positions set out in the following table:

Period of employment	Name of the group and companies	Position	Responsibilities
April 1987 – August 1991	Great Eagle Holdings Limited (formerly known as The Great Eagle Company Limited) (stock code: 41)	Administration manager and company secretary	Overseeing the company secretarial, paralegal, personnel, office administration and insurance agency matters of the company
August 1991 – December 2001	Mingyuan Medicare Development Company Limited (formerly known as Sing Tao Holdings Limited) (stock code: 233)	Company secretary	Overseeing the company secretarial, legal, trademark and copyrights matters of the company
July 1994 – December 1995	Donnelley Financial Solutions Hong Kong Limited (formerly known as Roman Financial Press Limited, a member of the Sing Tao group)	Director and general manager	Overseeing the management of the business operations of the company
September 2000 – May 2001	Donnelley Financial Solutions Hong Kong Limited (formerly known as Roman Financial Press Limited, a member of the Sing Tao group)	Managing director	Overseeing the business development and operations of the company
February 2002 – November 2004	Elegance Finance Printing Services Ltd.	Assistant general manager – business development	Overseeing the business development of the company
November 2004 – January 2006	K. Wah Management Services Limited and K. Wah International Holdings Limited (stock code: 173)	Deputy general manager – company secretary	Overseeing the company secretarial matters of the company
January 2006 – January 2011	S E A Holdings Limited (stock code: 251) (including South-East Asia Investment & Agency Company Limited and Asian Growth Properties Limited, a company listed on the AIM of the London Stock Exchange)	Company secretary	Overseeing the company secretarial, corporate governance, regulatory compliance and legal matters of the company
February 2011 – March 2013	Lai Sun Group (including Lai Fung Holdings Limited (stock code: 1125), Lai Sun Development Limited (stock code: 488), eSun Holdings Limited (stock code: 571) and Lai Sun Garment (International) Limited (stock code: 191))	Group company secretary	Overseeing the company secretarial, corporate governance and regulatory compliance matters of the group

DIRECTORS AND SENIOR MANAGEMENT

Period of employment	Name of the group and companies	Position	Responsibilities
September 2013 – present	Boardroom Corporate Services (HK) Limited	Executive director and head of corporate secretarial department	Responsible for business development of the company and overseeing corporate secretarial matters
May 2014 – present	Boardroom Share Registrars (HK) Limited	Director	Responsible for the overall management of the company

Further, Mr. Kwok has been a director of Lam Kin Chung Morning Sun Charity Fund since its incorporation in May 1992, which is principally engaged in the promotion of education in Hong Kong. From February 2015 to February 2016, Mr. Kwok was an independent non-executive director of Grand Ocean Advanced Resources Company Limited (formerly known as De Team Company Limited), a company listed on the Main Board of the Stock Exchange (stock code: 65).

Mr. Kwok obtained a professional diploma in company secretaryship and administration and a bachelor's degree of arts in accountancy from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in 1983 and 1994, respectively. He earned a post-graduate diploma in laws from the Manchester Metropolitan University in England in 1998 and passed the Common Professional Examinations of England and Wales in the same year. Mr. Kwok was a council member of The Hong Kong Institute of Chartered Secretaries (“HKICS”) from May 1989 to December 2005 and from December 2008 to May 2010. From June 1997 to June 1999, Mr. Kwok was a chief examiner for Hong Kong Company Secretarial Practice module of the HKICS. Mr. Kwok has been admitted as a fellow member of The Institute of Chartered Secretaries and Administrators in England since 1990, and The Institute of Financial Accountants in England since 1996, the HKICS since 1994, The Association of Hong Kong Accountants and The Hong Kong Institute of Directors since 2014 and the Institute of Public Accountants in Australia since 2015. Mr. Kwok has also been a member of the Hong Kong Securities and Investment Institute (formerly known as Hong Kong Securities Institute) since 1999. He also possesses other professional qualifications in arbitration, taxation, human resource management and financial planning. He was also named in the “International WHO’s WHO of Professionals” in 1999.

Mr. Kwok was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of Company	Date of dissolution	Means of dissolution
Charming Hints Limited	10 October 2003	Dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance (<i>Note 1</i>)
Good Prospect Group Limited	4 May 2006	Dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance (<i>Note 2</i>)
Onways Investment Limited	19 December 2008	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (<i>Note 1</i>)

Note 1: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities.

Note 2: Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike a defunct company off the register of companies.

DIRECTORS AND SENIOR MANAGEMENT

Mr. LAW Tze Lun (羅子麟) was appointed as our independent non-executive Director on 30 June 2017. He is primarily responsible for providing independent advice to our Board.

Mr. Law has over 25 years of experience in auditing, accounting and finance. From January 1992 to May 1997, he worked as an audit supervisor at Cheng, Kwok & Chang C.P.A. and was mainly responsible for audit work and supervision. Since July 1997, Mr. Law worked at Chiang & Lai C.P.A. as an officer and he was promoted to partner in April 2003, and he was responsible for reviewing all audit files and providing training to the staff. In February 2008, Mr. Law founded Law Tze Lun C.P.A., which provided accounting and auditing services. Since December 2010, Mr. Law has been a director of ANSA CPA Limited, which was principally engaged in the provision of auditing and accounting services.

Mr. Law has been serving as an independent non-executive director of Come Sure Group (Holdings) Limited (stock code: 794) since February 2009, Gemini Investments (Holdings) Limited since November 2010 (formerly known as Kee Shing (Holdings) Limited) (stock code: 174) and National Investments Fund Limited since December 2013 (stock code: 1227), all of which are companies listed on the Main Board of the Stock Exchange.

In March 1999, Mr. Law obtained a bachelor's degree in commerce (accounting) from Curtin University of Technology in Australia. Since April 1999, Mr. Law has been admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants (currently known as CPA Australia). Mr. Law has also been admitted as an associate and certified public accountant of the Hong Kong Society of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) in October 2000 and March 2003, respectively, and as a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2014.

Mr. Law was a director of the following companies, which were incorporated in Hong Kong prior to their respective dissolution:

Name of Company	Date of dissolution	Means of dissolution
Cyber Investment Limited	2 November 2001	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)
Golden Glory Technology Limited	2 November 2001	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (<i>Note</i>)

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities.

DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Man Hin Raymond (黃文顯) was appointed as our independent non-executive Director on 30 June 2017. He is primarily responsible for providing independent advice to our Board.

Mr. Wong has been serving as a director of companies listed on the Main Board of the Stock Exchange. Mr. Wong has been acting as an executive director since April 2002 and the deputy chairman since April 2007 of Raymond Industrial Limited (stock code: 229). Mr. Wong has also been serving as an independent non-executive director of Nan Nan Resources Enterprise Limited (stock code: 1229) since March 2008 and Modern Beauty Salon Holdings Limited (stock code: 919) since December 2009.

Mr. Wong obtained a bachelor's degree in chemical engineering from Lehigh University in the United States in October 1988 and a master's degree in economics from University of Hawaii at Manoa in December 1994. Mr. Wong has been admitted a Certified Management Accountant and a member of American Institute of Certified Public Accountants since September 1998 and May 1999, respectively. Mr. Wong was also awarded a certificate in financial management by the Institute of Certified Management Accountants in April 1999.

Mr. Wong was a director of the following company, which was incorporated in Hong Kong prior to its dissolution:

Name of Company	Date of dissolution	Means of dissolution
Good Nature Company Limited	18 January 2013	Dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance (Note)

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities.

DISCLOSURE REQUIRED UNDER RULE 17.50(2) OF THE GEM LISTING RULES

Save as disclosed above, none of our Directors:

- (i) held any other positions in our Company or other members of our Group as of the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or substantial shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; and
- (iii) held any other directorships in listed companies in the three years prior to the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Except for such interests of the executive Directors in the Shares which are disclosed in the section headed “Substantial shareholders” and the paragraph headed “C. Further information about Directors and substantial shareholders — 1. Disclosure of interests” in the section headed “Statutory and general information” in Appendix IV to this prospectus, none of our Directors has any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

Each of our Directors has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules as of the Latest Practicable Date.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code. Our Company is committed to the view that the Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Except for the deviation from provision A.2.1 of the Corporate Governance Code, our Company’s corporate governance practices have complied with the Corporate Governance Code. Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chow is the Chairman and the chief executive officer of our Company. In view of Mr. Chow being one of the founders of our Group and has been operating and managing our Group since its establishment in 2001, our Directors believe that the vesting of the roles of chairman and chief executive officer in Mr. Chow is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. Accordingly, our Company has not segregated the roles of its chairman and chief executive officer as required by paragraph A.2.1 of the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets out certain information in respect of the senior management of our Group:

Name	Age	Date of joining our Group	Position	Principal role and responsibilities
Mr. LO Chi Yuen (羅志遠)	43	June 2012	Sales and service support manager	Overseeing the day-to-day sales and leasing activities, procurement, after sales services
Mr. CHENG Yu Man (鄭裕民)	56	February 2007	Workshop supervisor	Overseeing the day-to-day operation of the maintenance and ancillary services, the maintenance and upkeep of equipment
Ms. WONG Ka Yee (黃嘉儀)	32	August 2006	Administrative manager	Managing administrative matters

Mr. LO Chi Yuen (羅志遠) is our sales and service support manager. Mr. Lo oversees our day-to-day sales and leasing activities including procurement and after sales services. He joined our Group in June 2012 as the parts sales and service support manager.

Mr. Lo has experience of over 17 years in sales and service management in the heavy equipment industry. Prior to joining our Group, Mr. Lo worked in Hitachi Construction Machinery (Hong Kong) Co. Ltd from March 2000 to March 2001 as a warehouse clerk and was responsible for sales and warehousing management. From April 2001 to June 2007, Mr. Lo worked in Powerhorse International Limited as a supervisor and oversaw the sales operation in respect of spare parts of heavy equipment. From January 2009 to May 2012, Mr. Lo worked in Shenzhen Mapper Machinery Equipment Co. Ltd as the assistant parts manager and was in charge of the sales of spare parts.

Mr. CHENG Yu Man (鄭裕民) is our workshop supervisor. Mr. Cheng is responsible for overseeing the day-to-day operation of the maintenance and ancillary services as well as the maintenance and upkeep of equipment. Mr. Cheng has completed a number of training courses on gas welding safety, abrasive wheel safety and operation of excavator organised by Vocational Training Council, Hong Kong Safety Training Centre and Construction Industry Council in March 2004, June 2004 and July 2011 respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheng has worked in the heavy equipment industry for over 10 years since he joined our Group as a technician in February 2007. Mr. Cheng was promoted progressively over the years to workshop supervisor in December 2010.

Ms. WONG Ka Yee (黃嘉儀) is our administrative manager. Ms. Wong is responsible for the general administration and human resource activities of the Group. Ms. Wong graduated from Caritas Fanling Chan Chun Ha Secondary School in July 2001.

Ms. Wong has worked in the heavy equipment industry for over 10 years. Prior to joining the heavy equipment industry, she worked in Hong Kong Communications Computer Co., Ltd from June 2004 to September 2005 as telesales marketer and her last position was senior telemarketer when she left in October 2005. She then joined our Group in August 2006 as a clerk and was promoted progressively over the years to administrative manager in November 2010.

None of our senior management has held any directorships in any listed companies in the three years preceding the Latest Practicable Date.

COMPANY SECRETARY

Ms. Ng Wai Ying was appointed as the company secretary of our Company on 4 August 2016. Ms. Ng is ordinarily resident in Hong Kong. Please refer to the paragraph headed “Executive Directors” in this section for details of her qualification and experience.

COMPLIANCE OFFICER

Ms. Ng Wai Ying is the compliance officer of our Company. Please refer to the paragraph headed “Executive Directors” in this section for details of her qualification and experience.

BOARD COMMITTEES

We have established the following committees in our Board, of which the operation is in accordance with terms of reference established by our Board:

Audit committee

An audit committee was established by us on 30 June 2017 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee include, but not limited to, the review and approval of our Group’s financial reporting process and internal control and risk management system, oversee our audit process and perform other duties and responsibilities as assigned by our Board. The audit committee consists of three independent non-executive Directors, being Mr. Law Tze Lun, Mr. Wong Man Hin Raymond and Mr. Kwok Siu Man. Mr. Law Tze Lun, who holds the appropriate professional qualification as required under Rules 5.05(2) and 5.29 of the GEM Listing Rules, is the chairman of the audit committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration committee

A remuneration committee was established by us on 30 June 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee include, but not limited to, the formulation of our remuneration policy, the review and the determination of the terms of remuneration packages of our Directors and senior management and review and approve performance-based remuneration with reference to our corporate goals and objectives resolved by our Board from time to time. The remuneration committee consists of three independent non-executive Directors, being Mr. Wong Man Hin Raymond, Mr. Law Tze Lun and Mr. Kwok Siu Man. Mr. Wong Man Hin Raymond is the chairman of the remuneration committee.

Nomination committee

A nomination committee was established by us on 30 June 2017 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee include, but not limited to, the formulation of our nomination policy and making recommendations to any proposed changes to our Board. The nomination committee consists of three independent non-executive Directors, being Mr. Kwok Siu Man, Mr. Wong Man Hin Raymond and Mr. Law Tze Lun. Mr. Kwok Siu Man is the chairman of the nomination committee.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

For the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017, the aggregate of the remuneration paid and benefits in kind granted to our Directors by any member of our Group were approximately HK\$5.2 million, HK\$5.3 million and HK\$3.1 million respectively.

The remuneration of each Director is determined by reference to market terms, seniority, his experiences, duties and responsibilities within our Group. Our Directors are entitled to statutory benefits as required by law from time to time.

The aggregate amount of the remuneration, including salaries, discretionary bonus, defined contribution benefit plans (including pension) and other benefits-in-kind, paid to the five highest paid individuals of our Company (including the Directors among the five highest paid individuals) for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 were approximately HK\$6.9 million, HK\$6.2 million and HK\$3.4 million respectively.

No remuneration has been paid to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended 31 July 2015 and 2016. Further, none of our Directors had waived any remuneration during the same period.

DIRECTORS AND SENIOR MANAGEMENT

EMPLOYEES' BENEFITS PROVIDED BY OUR GROUP

Our Group complies in all material aspects with all statutory requirements on retirement contributions in the jurisdictions where our Group operates.

In Hong Kong, our Group has participated in a mandatory provident fund scheme for our employees in Hong Kong in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

SHARE OPTION SCHEME

Our Company has conditionally adopted a Share Option Scheme pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to our Group and any entity in which any member of our Group holds any equity interest. Our Directors believe that the implementation of the Share Option Scheme enables our Group to recruit and retain high calibre executives and employees. The principal terms of the Share Option Scheme are summarised under the paragraph headed “D. Other information — 1. Share Option Scheme” in the section headed “Statutory and general information” in Appendix IV to this prospectus.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed Southwest HK Capital as our compliance adviser, who will have access to all relevant records and information relating to us as it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise us on the following circumstances:

- i. before the publication of any regulatory announcements, circulars or financial reports;
- ii. where a transaction, which might be a notifiable transaction or connected transaction as defined in Chapters 19 and 20 of the GEM Listing Rules, is contemplated including share issues and share repurchases;
- iii. where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or if our Company's business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- iv. where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly and/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:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares <i>(Note 1)</i>	Approximate percentage of shareholding
Generous Way	Beneficial owner	750,000,000(L)	75%
Mr. Chow <i>(Note 2)</i>	Interest in a controlled corporation	750,000,000(L)	75%
Ms. Cheng <i>(Note 2)</i>	Interest in a controlled corporation	750,000,000(L)	75%

Notes:

1. The letter “L” denotes the person’s long position in the Shares.
2. Mr. Chow and Ms. Cheng are spouses. Generous Way is beneficially owned as to 50% by Mr. Chow and 50% by Ms. Cheng. By virtue of the SFO, each of Mr. Chow and Ms. Cheng is deemed, or taken to be, interested in the Shares held by Generous Way.

Save as disclosed above, our Directors are not aware of any other persons/entities who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued upon 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly and/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.

Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

UNDERTAKINGS

Each of our Company and our Controlling Shareholders has given certain undertakings in respect of our Shares to our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters, details of which are set out under the section headed “Underwriting — Undertakings” of this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Upon completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), Mr. Chow and his spouse, Ms. Cheng, through Generous Way, will be beneficially interested in 75% of the issued share capital of our Company (without taking into account any Share which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), and hence Mr. Chow, Ms. Cheng and Generous Way are our Controlling Shareholders.

Mr. Chow is our chairman and executive Director whereas Ms. Cheng is our non-executive Director. Mr. Chow and Ms. Cheng together own the entire equity interest of Generous Way, an investment holding company which has no business interest apart from its shareholding in our Group and of which Mr. Chow and Ms. Cheng are its directors.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, our Directors believe that our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders and their respective close associates after the Listing.

Management independence

Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors.

Each of our Directors is aware of his/her fiduciary duties as a director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, our Group has an independent senior management team to carry out the business decisions of our Group independently and our independent non-executive Directors will bring independent judgement to the decision-making process of our Board.

Having considered the above factors, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial roles in our Group independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders (including their respective close associates) after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

Our Group has established its own set of organisation structure which is made up of individual departments, each with specific areas of responsibilities. Our Group has independent access to sources of supplies as well as customers. Our Group holds all relevant licences necessary to carry on our business. We have sufficient capital and full control over our major assets to continue our business independently of our Controlling Shareholders and their respective close associate. We do not rely on our Controlling Shareholders for any material amount of our revenue, staffing or marketing. We have also established a set of internal controls to facilitate the effective operation of our business.

Financial independence

Our Group has our own accounting systems, accounting and finance personnel, independent treasury function for cash receipts and payment and we make financial decisions according to our own business needs. Our accounting and finance personnel are responsible for financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities.

During the Track Record Period, Mr. Chow and Ms. Cheng, being our Controlling Shareholders, had provided personal guarantees in respect of certain bank borrowings of our Group. For further details of the bank borrowings, please refer to Note 24 of the Accountants Report in Appendix I to this prospectus. Our Directors confirm that such personal guarantees provided by Mr. Chow and Ms. Cheng will be released or replaced by our Company's corporate guarantee upon Listing.

Our Group has sufficient capital to operate our business independently, and has adequate internal resources and credit profile to support our daily operations.

RULE 11.04 OF THE GEM LISTING RULES

As at the Latest Practicable Date, none of our Controlling Shareholders, our substantial Shareholders, our Directors and their respective close associates has any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

DEED OF NON-COMPETITION

The Controlling Shareholders entered into the Deed of Non-competition dated 30 June 2017 in favour of our Company, to the effect that each of the Controlling Shareholders will not, and will use his/her/its best endeavors to procure that his/her/its close associates do not and shall not, directly or indirectly or as principal or agent, whether on his/her/its own or in conjunction with or on behalf of any person, firm or company or through any entities, be interested or engaged in or otherwise be involved, in any business which is in competition with, or is likely to be in competition with any business presently carried on by our Group or any other business that may be carried on by our Group from time to time during the term of the Deed of Non-competition (the "**Business**"), provided that the Deed of Non-competition shall not preclude any of the Controlling Shareholders and their respective close associates

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

from having any interest in shares of not more than 5% of the issued shares in any company (the “**Subject Company**”) which shares are listed on any recognised stock exchange even though the business carried on by the Subject Company is or is likely to be in competition with the Business and that:

- (a) (i) there is a holder (together, where appropriate, with its associates) with a larger shareholding in the Subject Company than the aggregate shareholding held by the relevant Controlling Shareholder and/or his/her/its close associates at all times and (ii) the total number of the relevant Controlling Shareholder’s representatives on the board of directors of the Subject Company is not significantly disproportionate in relation to his or its shareholding in the Subject Company; and
- (b) the total number of shares held by the relevant Controlling Shareholder and/or his/her/its close associates together with other persons who are acting in concert (as defined in the Takeovers Code) with any of them shall not exceed 30% (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the issued shares of the Subject Company.

Each of the Controlling Shareholders further undertakes and covenants that during the continuation of the Deed of Non-competition:

- (a) if any new business investment or other business opportunity relating to the Business other than in our Company (“**Business Opportunity**”) is identified by or made available to him/her/it or any of his/its close associates, him/her/it shall and shall procure that his close associates shall refer such Business Opportunity to our Company on a timely basis; and
- (b) he/it shall, and shall procure that his/her/its close associates shall, provide all information necessary for the enforcement of the Deed of Non-competition and shall make an annual declaration on the compliance with the Deed of Non-competition in the annual report of our Company.

In the event that a Business Opportunity shall be referred to our Company pursuant to the Deed of Non-competition, the relevant Controlling Shareholder shall, and shall procure his/her/its close associates to, give written notice to our Company of such Business Opportunity within seven days identifying the target company (if relevant) and the nature of the Business Opportunity, the investment or acquisition costs and all other details for our Company to consider whether to pursue such Business Opportunity. Our Company shall seek approval from our Directors (including the independent non-executive Directors) who do not have a material interest in the Business Opportunity (“**Independent Board**”) as to whether to pursue or decline the Business Opportunity and the Independent Board shall consider (i) the financial impact of pursuing the Business Opportunity offered, (ii) whether the nature of the Business Opportunity is consistent with our Group’s strategies and development plans, (iii) the general market conditions in the industry of the Business and (iv) any advice from independent financial advisers, should the appointment of which be deemed necessary by the Independent Board. The Independent Board shall, within 30 days of receipt of the written notice referred to above, inform the relevant Controlling Shareholder and/or his/its relevant close associate(s) in writing on behalf of our Company its decision whether to pursue or decline the Business Opportunity and the relevant Controlling Shareholder and/or his/her/its relevant close associate(s) shall be entitled but not obliged to pursue such Business Opportunity if he or it has received

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

a notice from the Independent Board referred to above declining such Business Opportunity. If there is any material change in the nature, terms or conditions of such Business Opportunity pursued by the relevant Controlling Shareholder and/or his/her/its relevant close associate(s), he or it shall, and shall procure that his/her/its relevant close associate(s) shall, refer such Business Opportunity as so revised to our Company in the manner as outlined above as if it were a new Business Opportunity.

The provisions contained in the Deed of Non-competition are conditional upon the conditions stated in the section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” of this prospectus having been fulfilled.

The Deed of Non-competition shall take effect upon the Listing and shall cease to be of any force and effect on a Controlling Shareholder on:

- (a) the date on which the Shares cease to be listed and traded on the Stock Exchange; or
- (b) the date on which such Controlling Shareholder ceases to be a Controlling Shareholder of our Company,

whichever occurs first.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen the corporate governance practice and to safeguard the interests of the Shareholders:

- (i) the Articles provide that except for a few exceptions permitted under the GEM Listing Rules, a Director shall not vote nor shall he/she be counted in the quorum on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested;
- (ii) the independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by the Controlling Shareholders;
- (iii) the Controlling Shareholders undertake to provide, and to procure that his/its close associates shall, all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iv) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of the Controlling Shareholders in the annual reports of our Company; and
- (v) the Controlling Shareholders will make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company.

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

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following completion of the Share Offer (without taking into account any Share which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) and the Capitalisation Issue:

		Nominal value HK\$
Authorised share capital:		
10,000,000,000	Shares of HK\$0.01 each	100,000,000
		Nominal value HK\$
Issued and to be issued, fully paid or credited as fully paid:		
38,000,000	Shares in issue as at the date of this prospectus	380,000
712,000,000	Shares to be issued pursuant to the Capitalisation Issue	7,120,000
250,000,000	Shares to be issued pursuant to the Share Offer	2,500,000
<u>1,000,000,000</u>	Total	<u>10,000,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issuance of Shares pursuant to the Share Offer are made as described herein. It does not take into account any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased pursuant to the general mandate given to the Directors for allotment and issuance of Shares described in the paragraph headed “General mandate to issue Shares” in this section or the repurchase mandate described in the paragraph headed “General mandate to repurchase Shares” in this section, as the case may be.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 250,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing (without taking into account of any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

RANKING

The Offer Shares will be ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus and, in particular, will be entitled to all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Assuming the Share Offer becomes unconditional, our Directors will be granted a general mandate to allot, issue and deal with Shares with a total number of not more than the sum of:

- (a) 20% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by us under the mandate as mentioned in the paragraph headed “General mandate to repurchase Shares” below.

The general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under any rights issue, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with our Articles of Association, or pursuant to the exercise of any subscription rights attached to any warrants which may be issued by us from time to time, or upon the Capitalisation Issue. The general mandate does not include any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of our Company’s next annual general meeting;
- the expiration of the period within which our Company is required by any applicable laws of the Cayman Islands or our Articles of Association to hold its next annual general meeting; or
- the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

Particulars of this general mandate to allot, issue and deal with Shares are set out under the paragraph headed “Statutory and general information – A. Further information about our Group — 3. Written resolutions of our sole Shareholder passed on 30 June 2017” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure and conditions of the Share Offer” in this prospectus, our Directors will be granted a general mandate to exercise all our powers to repurchase Shares of not more than 10% of the total number of shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue, excluding any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.

SHARE CAPITAL

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “A. Further information about our Group – 6. Repurchases of our Shares” of the section headed “Statutory and general information” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of our Company’s next annual general meeting;
- the expiration of the period within which our Company is required by any applicable laws of the Cayman Islands or our Articles of Association to hold its next annual general meeting; or
- the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

SHARE OPTION SCHEME

On 30 June 2017, we conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed “D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

The circumstances under which general meeting is required are provided in the Articles, the summary of which is set out in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion of our Group's result of operation and financial condition in conjunction with its audited consolidated financial information as at and for the two years ended 31 July 2016 and the six months ended 31 January 2017, including the notes thereto, included in Appendix I to this prospectus. This historical consolidated financial information is not necessarily indicative of the future performance of our Group. Our consolidated financial statements have been prepared in accordance with HKFRS, which may differ in material respects from the generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For further information, please refer to the section headed "Risk factors" for discussions of those risks and uncertainties.

Our financial year begins from 1 August and ends on 31 July. All references to "FY2015" and "FY2016" mean the financial years ended 31 July 2015 and 31 July 2016, respectively.

OVERVIEW

We are one of the leading earthmoving equipment sales and leasing service providers in Hong Kong. We are principally engaged in (i) the sale of new and used earthmoving equipment and spare parts, (ii) the leasing of earthmoving equipment, and (iii) the provision of maintenance and ancillary services for earthmoving equipment users. We also offer some heavy equipment other than earthmoving equipment for sales and for leasing.

We purchase (i) our new earthmoving equipment through dealership or distribution arrangements, (ii) our used earthmoving equipment through traders and overseas auctions, and (iii) our own-brand earthmoving attachment from our OEM and ODM partner. In addition, we sell spare parts and components. For our earthmoving equipment leasing business, we lease earthmoving equipment and in case of wet hire, we also provide operators to our customers in respect of earthmoving operations undertaken by our customers in Hong Kong. Further, we provide maintenance and repair services in respect of heavy equipment.

For FY2015, FY2016 and the six months ended 31 January 2016 and 2017, our revenue was approximately HK\$301.1 million, HK\$320.5 million, HK\$148.8 million and HK\$130.8 million respectively, of which our revenue generated from (i) the sales of earthmoving equipment and spare parts was approximately HK\$268.2 million, HK\$300.9 million, HK\$137.5 million and HK\$125.3 million, respectively, (ii) the leasing of earthmoving equipment was approximately HK\$29.0 million, HK\$16.4 million, HK\$9.7 million and HK\$4.4 million, respectively, and (iii) the maintenance and ancillary services was approximately HK\$3.9 million, HK\$3.2 million, HK\$1.6 million and HK\$1.1 million, respectively.

FINANCIAL INFORMATION

For FY2015 and FY2016, our net profit was approximately HK\$31.2 million and HK\$23.5 million, respectively. Our net profit for the six months ended 31 January 2016 and 2017 was approximately HK\$13.2 million and HK\$7.4 million, respectively. The analysis of net profit is set out in “Period-to-period comparison of results of operations” in this section.

Further information on our business and operations is set out in the section headed “Business” of this prospectus.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following sets out a number of key factors that may affect our operating results. The following factors are not exhaustive, and our operating results may also be affected by the risk factors set out in the section “Risk Factors” in this prospectus.

The demand for our heavy equipment

The demand for heavy equipment is driven by the level of construction activities and infrastructure projects in Hong Kong. As a substantive portion of our revenue is derived from the sale and leasing of heavy equipment in Hong Kong, our profitability depends on the level of construction activities and infrastructure projects, as well as the general economic conditions in Hong Kong. For further information relating to the construction industry in Hong Kong, please refer to the section headed “Industry overview” of this prospectus.

In addition, we believe that our leading position and industry reputation provide us with a favourable position to capture the overall growth of the earthmoving equipment markets in Hong Kong. Our ability to maintain our market position and industry reputation thus affects our ability to generate revenue.

Cost of machinery, equipment and spare parts

We experienced an increase in cost of machinery, equipment and spare parts during the Track Record Period. Our cost of machinery, equipment and spare parts is reflected in our purchase cost of inventories, which represents the heavy equipment and parts held for sale by the Group. For FY2015, FY2016 and the six months ended 31 January 2016 and 2017, our cost of machinery, equipment and spare parts were approximately HK\$214.4 million, HK\$244.2 million, HK\$110.6 million and HK\$99.0 million, representing approximately 71.2%, 76.2%, 74.3% and 75.7% of our total revenue respectively.

We believe that any change in the cost of machinery, equipment and spare parts will directly affect our profitability. If our purchase cost of machinery, equipment and spare parts increases and we are not able to pass on such increase to our customers, our gross profit margin will be adversely affected.

FINANCIAL INFORMATION

The ability to purchase suitable equipment

During the Track Record Period, our main revenue was principally derived from the sale of earthmoving equipment. To attain our customer requirements, we need to purchase suitable machinery for lease to cope with the latest construction and infrastructure projects development and maintain our competitiveness. We plan to utilise a portion of the net proceeds from the Listing to acquire additional heavy equipment, including but not limited to earthmoving equipment so as to enhance our capacity to cope with the expected business growth and cope with more customer requirements in particular our leasing services. Details of our planned use of proceeds are set out in the section headed “Future plans and use of proceeds” of this prospectus.

As a result of the purchase of additional heavy equipment for lease, it is expected that additional depreciation or impairment of machinery for lease, if any, will be charged to profit or loss and therefore affect our financial performance and operating results.

Fluctuations in foreign exchange rates

Since our major suppliers are heavy equipment manufacturers which are based in the PRC, Japan, Korea and the U.S., our transactions with them are principally denominated in their local currencies. The fluctuations in foreign exchange rates against HKD, our functional and presentation currency, will either affect our purchase cost or lead to foreign exchange gain or loss.

Our costs of machinery, equipment and spare parts will be materially affected by fluctuations in foreign exchange rates, which will be directly reflected in the direct purchase costs. As the change in direct purchase costs may not be passed on to our customers simultaneously, our gross profit margin will be affected.

We are also exposed to foreign currency risks arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition. Assets and liabilities in each statement of financial position presented are translated at the closing rate at the date of that statement of financial position. Foreign exchange gain or loss arises from the difference between transaction rate and settlement rate. We recorded a net foreign exchange gain of approximately HK\$7.2 million in FY2015 and a net foreign exchange loss of approximately HK\$7.3 million in FY2016. For the six months ended 31 January 2016 and 2017, we recorded a net foreign exchange loss of approximately HK\$2.0 million and a net foreign exchange gain of HK\$0.4 million, respectively.

We currently do not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities and will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise. We do not enter into any currency contracts to hedge risks arising from fluctuation in foreign currency exchange rates.

FINANCIAL INFORMATION

For sensitivity analysis illustrating the approximate change in our Group's profit after tax and retained earnings in response to possible changes in foreign exchange rates of JPY and RMB, please refer to note 6 "Financial Risk Management" of the Accountants' Report in Appendix to this prospectus.

Our Directors expect that JPY, RMB, EUR, USD and HKD will continue to be mostly used in our business in the foreseeable future. Therefore, foreign exchange rates fluctuations will continue to affect our financial condition and results of operations could also be affected.

BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements of our Group for the Track Record Period have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The basis of preparation of the consolidated financial information of the Group is set out in note 2 "Basis of Preparation of Financial information" of the Accountants' Report in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We have identified certain significant accounting policies that are critical to the preparation of our financial information. These significant accounting policies are important for an understanding of our financial position and results of operations and are set out in note 4 "Significant Accounting Policies" of the Accountants' Report in Appendix I of this prospectus.

It also requires management to exercise its judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to our financial information are disclosed in note 5 "Key Sources Of Estimation Uncertainty" of the Accountants' Report in Appendix I of this prospectus.

The following paragraphs summarise the most significant accounting policies used in the preparation of the consolidated financial statements.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable.

Revenue from the sale of heavy equipment and spare parts in the ordinary course of business is recognised when the goods are delivered and titles have passed, at the time when our customers (or logistic company on its behalf) collect the goods at our warehouse.

Revenue from leasing of machinery is recognised on a straight-line basis over the term of the relevant lease.

Revenue from maintenance and ancillary services is recognised when the service is rendered.

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Property, plant and equipment

Property, plant and equipment held for use in the supply of goods or services, or for administrative purpose, are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Our Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Our Group, in the course of its ordinary activities, sells its machinery from time to time that it has held for leasing income. Such assets will be transferred to inventories at their carrying amount when they cease to be leased and become held for sale.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in-first-out basis except for machinery and breaker which are determined on a specific identification basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Our Group evaluates its inventory to ensure that it is carried at the lower of cost or net realisable value. Provision is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures conducted. According to the current market conditions and historical experience, the Group estimates the net realisable value of inventories by the end of each reporting period and assesses if any allowance for slow moving and obsolete inventories should be provided.

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When inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of financial assets

At the end of each reporting period, our Group assesses whether our financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- disappearance of an active market for that financial asset because of financial difficulties.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

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The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance lease charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the Latest Practicable Date, the HKICPA has issued a number of amendments and new standards which are not yet effective for the Track Record Period and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

List of new and revised HKFRSs in issue but not yet effective

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ³
Amendments to HKAS 7	Disclosure Initiative ²
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

⁴ No mandatory effective date yet determined but is available for adoption.

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The Group expects that the application of HKFRS 9 will not have significant impact on the Group's results of operations and financial position since the Group does not have any financial instruments and hedging arrangement except the adoption of new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's financial assets. The Group also expects that the application of HKFRS 16 have no material impact on the financial statements of the Group since HKFRS 16 substantially carries forward lessor accounting from HKAS 17 *Leases*. When HKFRS 16 is adopted in the future, we expected that certain portion of our lease commitments will be required to be recognised in our statement of financial position as right-of-use assets and lease liabilities. As disclosed in note 29 "Lease Commitments" of the Accountants' Report in Appendix I of this prospectus, our total operating lease commitments as lessee as at 31 July 2015 and 2016 and 31 January 2017 amounted to approximately HK\$4.1 million, HK\$1.6 million and HK\$0.7 million, respectively. Therefore, we do not expect the adoption of HKFRS 16 as compared with our current accounting policy would result in significant impact.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and HK(IFRIC)-Int 13 "Customer Loyalty Programs". It also includes guidance on when to capitalize costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

The Group expects that the application of HKFRS 15 in the future not to have any material impact on the financial statements as this standard is not applicable to the business mode of the Group.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The selected financial information from our consolidated statements of profit or loss and other comprehensive income during the Track Record Period set out below is extracted from and should be read in conjunction with the Accountants' Report included in Appendix I to this prospectus.

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RESULTS OF OPERATIONS OF OUR GROUP

The following table sets out our consolidated statements of profit or loss and other comprehensive income for the years ended 31 July 2015 and 2016, and for the six months ended 31 January 2016 and 2017, respectively as derived from the Accountants' Report of our Group in Appendix I to this prospectus:

Consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 July		For the six months ended 31 January	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Revenue	301,081	320,490	148,756	130,766
Cost of sales	(247,441)	(268,815)	(123,229)	(108,601)
Gross profit	53,640	51,675	25,527	22,165
Other income	7,983	3,292	1,336	568
Administrative and other operating expenses	(22,644)	(24,871)	(10,102)	(12,401)
Profit from operations	38,979	30,096	16,761	10,332
Finance costs	(1,297)	(1,277)	(703)	(463)
Profit before tax	37,682	28,819	16,058	9,869
Income tax expense	(6,470)	(5,303)	(2,903)	(2,458)
Profit and total comprehensive income for the year/period attributable to owners of the Company	<u>31,212</u>	<u>23,516</u>	<u>13,155</u>	<u>7,411</u>

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DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generated our revenue from (i) the sales of new and used heavy equipment and spare parts; (ii) the leasing of heavy equipment, and (iii) the provision of maintenance and ancillary services. The following table sets out our Group's revenue by business segments during the Track Record Period:

	For the year ended 31 July				For the six months ended 31 January			
	2015		2016		2016		2017	
	Contribution		Contribution		Contribution		Contribution	
	Revenue	to total	Revenue	to total	Revenue	to total	Revenue	to total
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Sales of heavy equipment and spare parts	268,197	89.1	300,937	93.9	137,453	92.4	125,297	95.8
Leasing of heavy equipment	28,993	9.6	16,379	5.1	9,654	6.5	4,344	3.3
Maintenance and ancillary services	3,891	1.3	3,174	1.0	1,649	1.1	1,125	0.9
Total	301,081	100.0	320,490	100.0	148,756	100.0	130,766	100.0

Since all of our revenue was generated in Hong Kong and all of the Group's identifiable assets and liabilities were located in Hong Kong, no geographical information is presented.

Sales of heavy equipment and spare parts

Revenue from the sales of heavy equipment and spare parts mainly involved the sales of various types of earthmoving equipment, in particular heavy vehicles and earthmoving attachments, as well as their spare parts, mainly used for civil engineering, quarrying, construction, seawork, underwater dredging, land reclamation, municipal waste treatment, seawall installation, metal recycling and landscaping.

Revenue from the sales of heavy equipment and spare parts contributed approximately HK\$268.2 million, HK\$300.9 million, HK\$137.5 million and HK\$125.3 million respectively or approximately 89.1%, 93.9%, 92.4% and 95.8% of our total revenue respectively for FY2015, FY2016 and the six months ended 31 January 2016 and 2017. The revenue of this segment constitutes the majority of our Group's revenue.

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The table below sets out our revenue from the sub-segment of sales of heavy equipment and spare parts during the Track Record Period:

	For the year ended 31 July		For the six months ended 31 January	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Earthmoving equipment				
Heavy vehicles				
– New	144,187	127,597	70,945	38,331
– Used	74,044	138,947	48,870	60,055
	218,231	266,544	119,815	98,386
 Earthmoving attachment	 23,429	 10,961	 7,684	 2,374
Sub-total	241,660	277,505	127,499	100,760
 Other heavy equipment	 4,106	 3,462	 1,922	 11,628
 Spare parts	 22,431	 19,970	 8,032	 12,909
Total	268,197	300,937	137,453	125,297

As our Group focuses on the sales of earthmoving equipment, for FY2015, FY2016 and the six months ended 31 January 2016 and 2017, our revenue from our sales of earthmoving equipment contributed HK\$241.7 million, HK\$277.5 million, HK\$127.5 million and HK\$100.8 million representing 90.1%, 92.2%, 92.7% and 80.4% over the revenue from the sale of heavy equipment and spare parts, or 80.3%, 86.6%, 85.7% and 77.1% of the total revenue respectively.

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The table below sets out our revenue, sales volume and average unit price by types of earthmoving equipment during the Track Record Period:

	For the year ended 31 July						For the six months ended 31 January					
	2015			2016			2016			2017		
	Sales	Average		Sales	Average		Sales	Average		Sales	Average	
	Revenue	volume	unit price	Revenue	volume	unit price	Revenue	volume	unit price	Revenue	volume	unit price
	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000
							(Unaudited)					
Heavy vehicles												
New	144,187	130	1,109	127,597	130	982	70,945	69	1,028	38,331	34	1,127
Used	74,044	152	487	138,947	188	739	48,870	62	788	60,055	104	577
	<u>218,231</u>	<u>282</u>		<u>266,544</u>	<u>318</u>		<u>119,815</u>	<u>131</u>		<u>98,386</u>	<u>138</u>	
Earthmoving attachment	<u>23,429</u>	<u>71</u>	<u>330</u>	<u>10,961</u>	<u>62</u>	<u>177</u>	<u>7,684</u>	<u>40</u>	<u>192</u>	<u>2,374</u>	<u>18</u>	<u>132</u>
Total	<u>241,660</u>	<u>353</u>		<u>277,505</u>	<u>380</u>		<u>127,499</u>	<u>171</u>		<u>100,760</u>	<u>156</u>	

Revenue from sales of heavy vehicles amounts to approximately HK\$218.2 million, HK\$266.5 million, HK\$119.8 million and HK\$98.4 million, represents approximately 90.3%, 96.1%, 94.0% and 97.6% of our revenue from sales of earthmoving equipment for FY2015, FY2016 and the six months ended 31 January 2016 and 2017, respectively.

Revenue from sales of earthmoving attachment amounts to approximately HK\$23.4 million, HK\$11.0 million, HK\$7.7 million and HK\$2.4 million, represents approximately 9.7%, 3.9%, 6.0% and 2.4% of our revenue from sales of earthmoving equipment for FY2015, FY2016 and the six months ended 31 January 2016 and 2017, respectively.

For FY2015 and FY2016, average unit price of new heavy vehicles were approximately HK\$1.1 million and HK\$1.0 million and that of used heavy vehicles were approximately HK\$0.5 million and HK\$0.7 million respectively.

For the six months ended 31 January 2016 and 2017, average unit price of new heavy vehicles were approximately HK\$1.0 million and HK\$1.1 million and that of used heavy vehicles were approximately HK\$0.8 million and HK\$0.6 million respectively.

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Leasing of heavy equipment

The revenue attributable to the leasing service involves the revenue from the lease of heavy vehicles, other heavy equipment and earthmoving attachment. In case of wet hire, we also provide our qualified operators to manoeuvre the leased heavy equipment. Revenue from leasing service contributed approximately HK\$29.0 million, HK\$16.4 million, HK\$9.7 million and HK\$4.4 million for FY2015, FY2016 and the six months ended 31 January 2016 and 2017 respectively, representing 9.6%, 5.1%, 6.5% and 3.3% of our total revenue respectively.

The table below sets out our revenue generated from leasing of heavy vehicles, other heavy equipment and earthmoving attachment.

	For the year ended 31 July						For the six months ended 31 January					
	2015			2016			2016			2017		
	Revenue	Contribution to total revenue	Number of equipment leased	Revenue	Contribution to total revenue	Number of equipment leased	Revenue	Contribution to total revenue	Number of equipment leased	Revenue	Contribution to total revenue	Number of equipment leased
	HK\$'000	%	Unit	HK\$'000	%	Unit	HK\$'000	%	Unit	HK\$'000	%	Unit
	(Unaudited)											
Heavy vehicles	28,190	97.2	33	14,650	89.4	51	8,771	90.9	32	3,443	79.2	40
Other heavy equipment	255	0.9	2	1,302	8.0	6	641	6.6	7	520	12.0	1
	28,445	98.1	35	15,952	97.4	57	9,412	97.5	39	3,963	91.2	41
Earthmoving attachment	548	1.9	2	427	2.6	7	242	2.5	4	381	8.8	9
Total	28,993	100.0	37	16,379	100.0	64	9,654	100.0	43	4,344	100.0	50

Revenue generated from leasing of heavy vehicles contributed approximately HK\$28.2 million, HK\$14.7 million, HK\$8.8 million and HK\$3.4 million, or approximately 97.2%, 89.4%, 90.9% and 79.2% of the revenue generated from leasing of heavy equipment for FY2015, FY2016 and the six months ended 31 January 2016 and 2017 respectively.

Revenues generated from leasing of other heavy equipment amounted to HK\$0.3 million, HK\$1.3 million, HK\$0.6 million and HK\$0.5 million for FY2015, FY2016 and the six months ended 31 January 2016 and 2017, respectively. In addition, revenue generated from leasing of earthmoving attachment amounted to HK\$0.5 million, HK\$0.4 million, HK\$0.2 million and HK\$0.4 million respectively.

Maintenance and ancillary services

The revenue from maintenance and ancillary services mainly involves income from provision of maintenance and repair services to our customers. For FY2015, FY2016 and the six months ended 31 January 2016 and 2017, revenue from provision of ancillary services contributed HK\$3.9 million, HK\$3.2 million, HK\$1.6 million and HK\$1.1 million, or 1.3%, 1.0%, 1.1% and 0.9% of our total revenue respectively.

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Cost of sales

The following table sets out the breakdown of cost of sales during the Track Record Period:

	For the year ended 31 July 2015				For the year ended 31 July 2016				For the six months ended 31 January 2016				For the six months ended 31 January 2017			
	Sales of heavy equipment and spare parts	Leasing of heavy equipment	Maintenance and ancillary services	Total	Sales of heavy equipment and spare parts	Leasing of heavy equipment	Maintenance and ancillary services	Total	Sales of heavy equipment and spare parts	Leasing of heavy equipment	Maintenance and ancillary services	Total	Sales of heavy equipment and spare parts	Leasing of heavy equipment	Maintenance and ancillary services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
									(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)				
Cost of machinery, equipment and parts	214,445	-	-	214,445	244,226	-	-	244,226	110,564	-	-	110,564	98,972	-	-	98,972
Declaration expenses	2,322	-	-	2,322	28	-	-	28	15	-	-	15	20	-	-	20
Depreciation	-	2,296	-	2,296	-	2,331	-	2,331	-	1,017	-	1,017	-	911	-	911
Freight and transportation	3,355	-	478	3,833	2,623	113	624	3,360	1,414	42	312	1,768	1,511	45	230	1,786
Repairs and maintenance	13,819	1,052	-	14,871	12,083	254	27	12,364	6,130	121	27	6,278	4,205	102	-	4,307
Staff costs	822	7,214	1,638	9,674	1,801	3,399	1,306	6,506	866	1,982	739	3,587	1,131	867	607	2,605
	<u>234,763</u>	<u>10,562</u>	<u>2,116</u>	<u>247,441</u>	<u>260,761</u>	<u>6,097</u>	<u>1,957</u>	<u>268,815</u>	<u>118,989</u>	<u>3,162</u>	<u>1,078</u>	<u>123,229</u>	<u>105,839</u>	<u>1,925</u>	<u>837</u>	<u>108,601</u>

Our cost of sales amounted to approximately HK\$247.4 million, HK\$268.8 million, HK\$123.2 million and HK\$108.6 million for FY2015, FY2016 and the six months ended 31 January 2016 and 2017, respectively. The major components include (i) cost of machinery, equipment and parts, (ii) repairs and maintenance costs and (iii) staff costs for our operators, technicians and inspectors, which together accounted for 96.6%, 97.9%, 97.7% and 97.5% of our total cost of sales in FY2015, FY2016 and the six months ended 31 January 2016 and 2017, respectively.

For FY2015, FY2016 and the six months ended 31 January 2016 and 2017, our cost of sales rendered for sales of heavy equipment and spare parts constituted a substantial portion and contributed approximately 94.9%, 97.0%, 96.6% and 97.5% of our overall cost of sales.

Our leasing of heavy equipment contributed only 4.3% and 2.3% of our total cost of sales for FY2015 and FY2016, respectively while it contributed only 2.6% and 1.8% of our total cost of sales for the six months ended 31 January 2016 and 2017, respectively.

Cost of machinery, equipment and parts

Our cost of machinery, equipment and parts amounted to approximately HK\$214.4 million in FY2015 and HK\$244.2 million in FY2016, and HK\$110.6 million and HK\$99.0 million for the six months ended 31 January 2016 and 2017, respectively.

Allowance for inventories of HK\$5.0 million provided in FY2015, and reversal of allowance for inventories of HK\$5.0 million and HK\$0.4 million for FY2016 and the six months ended 31 January 2016, respectively, were included in cost of machinery, equipment and parts, which represent the cost of heavy equipment and spare parts for sale.

Our cost of sales for maintenance and ancillary service was insignificant and accounted for less than 1% of our overall cost of sales in both years and for the six months ended 31 January 2016 and 2017.

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Declaration expenses

Declaration expenses amounted to approximately HK\$2.3 million for FY2015, mainly representing the declaration fee paid for import of machineries from overseas suppliers and other related documentation fee. Since early FY2016, declaration expenses have been borne by and settled by our customers directly and therefore minimal declaration expenses was recorded in FY2016 and for the six months ended 31 January 2016 and 2017.

Repairs and maintenance

Repairs and maintenance expenses amounted to approximately HK\$14.9 million, HK\$12.4 million, HK\$6.3 million and HK\$4.3 million for FY2015, FY2016, and the six months ended 31 January 2016 and 2017 respectively, representing repair costs for used machineries paid to subcontractors, costs of spare parts used for maintenance of heavy equipment and fuel and oil expenses.

Staff costs

Staff costs represented the staff costs for our operators, technicians and inspectors.

Gross profit and gross profit margin

Our gross profit for FY2015, FY2016 and the six months ended 31 January 2016 and 2017 amounted to HK\$53.6 million, HK\$51.7 million, HK\$25.5 million and HK\$22.2 million, representing gross profit margin of 17.8%, 16.1%, 17.2% and 17.0%, respectively. Set out below are the details of our Group's gross profit by business segments during the Track Record Period:

	For the year ended 31 July				For the six months ended 31 January			
	2015		2016		2016		2017	
	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin	margin	margin	margin	margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Sales of heavy equipment and spare parts	33,433	12.5	40,176	13.4	18,464	13.4	19,458	15.5
Leasing of heavy equipment	18,432	63.6	10,282	62.8	6,492	67.2	2,419	55.7
Maintenance and ancillary services	1,775	45.6	1,217	38.3	571	34.6	288	25.6
	<u> </u>		<u> </u>		<u> </u>		<u> </u>	
Total	53,640	17.8	51,675	16.1	25,527	17.2	22,165	17.0
	<u> </u>		<u> </u>		<u> </u>		<u> </u>	

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Despite much smaller in scale in terms of revenue, our leasing of heavy equipment business has always achieved the highest gross margin among our three lines of business during the Track Record Period. Our gross profit margin for the sales of heavy equipment and spare parts was approximately 12.5%, 13.4%, 13.4% and 15.5%, for the leasing of heavy equipment was approximately 63.6%, 62.8%, 67.2% and 55.7% for FY2015, FY2016 and the six months ended 31 January 2016 and 2017, respectively. Our maintenance and ancillary services had a gross profit margin of approximately 45.6%, 38.3%, 34.6% and 25.6% for FY2015, FY2016 and the six months ended 31 January 2016 and 2017, respectively. For the analysis of our gross profit margin, please refer to the paragraph “Period-to-period comparison of results of operations” below.

The table below sets out gross profit by types of heavy equipment and spare parts for the Track Record Period indicated.

	For the year ended 31 July				For the six months ended 31 January			
	2015		2016		2016		2017	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000 (Unaudited)	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Heavy vehicles								
New	26,347	18.3	22,906	18.0	11,873	16.7	7,048	18.4
Used	5,371	7.3	6,761	4.9	3,244	6.6	7,983	13.3
Sub-total	31,718	14.5	29,667	11.1	15,117	12.6	15,031	15.3
Earthmoving attachment	2,397	10.2	1,325	12.1	875	11.4	394	16.6
Sub-total	34,115	14.1	30,992	11.2	15,992	12.5	15,425	15.3
Other heavy equipment	576	14.0	516	14.9	202	10.5	2,083	17.9
Spare parts	3,740	16.7	3,670	18.4	1,833	22.8	1,950	15.1
(Allowance)/reversal of allowance for inventories	(4,998)	N/A	4,998	N/A	437	N/A	–	N/A
Total	<u>33,433</u>	12.5	<u>40,176</u>	13.4	<u>18,464</u>	13.4	<u>19,458</u>	15.5

Note: (Allowance)/reversal of allowance for inventories represents the provision made for slow moving, obsolete and damaged inventories at the end of the Track Record Period.

Our gross profit margin for sales of heavy vehicles and earthmoving attachment was approximately 14.1%, 11.2%, 12.5% and 15.3%, for sales of spare parts was approximately 16.7%, 18.4%, 22.8% and 15.1%, for FY2015, FY2016 and the six months ended 31 January 2016 and 2017, respectively. For the analysis of our gross profit margin, please refer to the paragraph “Period-to-period comparison of results of operations” below.

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Other income and net gains

Set out below are the details of our Group's other income and net gains during the Track Record Period:

	For the year ended 31 July		For the six months ended 31 January	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Compensation income				
from suppliers	357	343	215	79
Foreign exchange gain, net	7,181	—	—	379
Net gain on disposals of property,				
plant and equipment	47	282	—	28
Interest income	74	8	4	— ⁽ⁱ⁾
Reversal of allowance for				
trade receivables	—	2,424	1,000	—
Others	324	235	117	82
	<u>7,983</u>	<u>3,292</u>	<u>1,336</u>	<u>568</u>

⁽ⁱ⁾ Represents the amount less than HK\$1,000.

Our other income and net gains were approximately HK\$8.0 million, HK\$3.3 million, HK\$1.3 million and HK\$0.6 million for FY2015, FY2016 and the six months ended 31 January 2016 and 2017, respectively. During the Track Record Period, our other income and net gains mainly comprises net foreign exchange gain, reversal of allowance for trade receivables and compensation income from suppliers.

Net foreign exchange gain amounted to HK\$7.2 million in FY2015, mainly represented the realised foreign exchange gain arising from the fluctuations between the transaction rate and settlement rate of (i) purchase of heavy equipment from overseas suppliers, mainly denominated in JPY and (ii) settlement of import loans denominated in JPY which depreciated over FY2015. Net foreign exchange gain amounted to HK\$0.4 million for the six months ended 31 January 2017. In FY2016 and the six months ended 31 January 2016, our Group recorded net foreign exchange loss, which was included in administrative and other operating expenses.

Reversal of allowance for trade receivables amounted to HK\$2.4 million and HK\$1.0 million in FY2016 and the six months ended 31 January 2016. It represented the reversal of allowance for the trade receivables which was previously provided in FY2015, following the receipt of repayment during year/period.

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Compensation income from suppliers, which amounted to HK\$0.4 million, HK\$0.3 million, HK\$0.2 million and HK\$0.1 million in FY2015, FY2016, and the six months ended 31 January 2016 and 2017, respectively, represented the reimbursement by our suppliers for manpower and costs in repairs and maintenance of machineries under warranty.

Others amounted to HK\$0.3 million, HK\$0.2 million, HK\$0.1 million and HK\$0.1 million in FY2015, FY2016, and the six months ended 31 January 2016 and 2017, respectively, mainly represent the sales of scrap and refund of insurance claim.

Administrative and other operating expenses

Set out below are the details of our Group's administrative and other operating expenses during the Track Record Period.

	For the year ended 31 July		For the six months ended 31 January	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Auditor's remuneration	180	400	200	222
Allowance for trade receivables	6,698	—	—	—
Depreciation	983	1,066	524	507
Foreign exchange loss, net	—	7,299	2,002	—
Listing expenses	1,980	2,784	1,075	4,274
Legal and professional fees	395	463	220	732
Marketing expenses	848	784	121	392
Operating lease rental on office premises	754	760	377	396
Staff costs, including directors' emoluments	7,180	7,921	3,943	4,501
Travelling expenses	1,000	823	347	527
Other expenses	2,626	2,571	1,293	850
	<u>22,644</u>	<u>24,871</u>	<u>10,102</u>	<u>12,401</u>

For FY2015, FY2016, and the six months ended 31 January 2016 and 2017, our administrative and other operating expenses were approximately HK\$22.6 million, HK\$24.9 million, HK\$10.1 million and HK\$12.4 million, which represented 7.5%, 7.8%, 6.8% and 9.5% of our revenue, respectively. During the Track Record Period, our administrative and other operating expenses mainly comprised staff costs (including directors' emoluments), net foreign exchange loss, operating lease rental, allowance for trade receivables and listing expenses.

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In contrast to a foreign exchange gain which formed part of our other income and gains in FY2015, we recorded net foreign exchange loss in FY2016 and the six months ended 31 January 2016 amounting to approximately HK\$7.3 million and HK\$2.0 million respectively, mainly due to JPY appreciation over FY2016. For the six months ended 31 January 2017, our Group recorded a net foreign exchange gain as part of our other income and gains.

In FY2015, an allowance for trade receivables of approximately HK\$6.7 million was made as we considered the chance of collecting the trade receivables from a specific customer was remote.

Staff costs amounted to HK\$7.2 million, HK\$7.9 million, HK\$3.9 million and HK\$4.5 million for FY2015, FY2016, and the six months ended 31 January 2016 and 2017, respectively, representing staff costs for administrative, sales and marketing, procurement staff and directors' emoluments.

Legal and professional fee amounted to HK\$0.4 million, HK\$0.5 million, HK\$0.2 million and HK\$0.7 million for FY2015, FY2016, and the six months ended 31 January 2016 and 2017, respectively, representing legal fees, secretarial fees, taxation service fees and valuation fees.

Other expenses amounted to HK\$2.6 million, HK\$2.6 million, HK\$1.3 million and HK\$0.9 million in FY2015, FY2016, and the six months ended 31 January 2016 and 2017, respectively, representing office security fee, utility fees, communication charges, office cleaning and maintenance expenses, postage and courier, rates, bank charges, donations, insurance and sundry expenses.

Finance costs

Our finance costs were both approximately HK\$1.3 million, HK\$1.3 million, HK\$0.7 million and HK\$0.5 million for FY2015, FY2016, and for the six months ended 31 January 2016 and 2017, respectively. It represents interest expenses on bank borrowings and interest expenses on obligation under finance lease of a motor vehicle.

Income tax expenses

Income tax expense primarily consists of provision for Hong Kong current and deferred income tax expenses. 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.

Our Group incurred income tax expense of approximately HK\$6.5 million, HK\$5.3 million, HK\$2.9 million and HK\$2.5 million for FY2015, FY2016 and the six months ended 31 January 2016 and 2017, respectively, which represents an effective tax rate of approximately 17.2%, 18.4%, 18.1% and 24.9% respectively.

Our effective tax rates for FY2015 and FY2016 are slightly higher than Hong Kong profits tax rate of 16.5%, mainly attributable to the increase in non-deductible listing expenses, which amounted to HK\$2.8 million and the increase in balancing charge of prescribed fixed assets, which amounted to HK\$6.1 million as some machineries for lease as at 31 July 2015 were sold in FY2016.

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Our effective tax rates for the six months ended 31 January 2016 and 2017 are higher than Hong Kong profits tax rate of 16.5%, mainly attributable to the increase in non-deductible listing expenses, which amounted to HK\$1.1 million and HK\$4.3 million, respectively.

Excluding the tax impact of our listing expenses, our effective tax rate approximates the prevailing Hong Kong profits tax rate for FY2015, FY2016 and for the six months ended 31 January 2016 and 2017, respectively.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 31 January 2017 compared to six months ended 31 January 2016

Revenue

For the six months ended 31 January 2017, our revenue amounted to approximately HK\$130.8 million, representing a decrease of approximately HK\$18.0 million or 12.1% from approximately HK\$148.8 million for the six months ended 31 January 2016. Such decrease was mainly attributable to the decrease in the sale of heavy equipment and spare parts and leasing segments.

Revenue from the sale of heavy equipment and spare parts

Our revenue from the sale of heavy equipment and spare parts decreased by approximately HK\$12.2 million, or 8.9%, from approximately HK\$137.5 million for the six months ended 31 January 2016 to approximately HK\$125.3 million for the six months ended 31 January 2017. Such decrease was mainly attributable to the drop in sale of new heavy vehicles of 46.0%, from HK\$70.9 million for the six months ended 31 January 2016 to HK\$38.3 million for the six months ended 31 January 2017. Nevertheless, our revenue from the sales of used heavy vehicles and sale of other heavy equipment increased by approximately HK\$11.2 million and HK\$9.7 million, or 22.9% and 505.0%, for the six months ended 31 January 2017 as compared to the corresponding period in 2016.

JPY appreciated to a relatively high level between July and November 2016, the selling price of new heavy vehicles hence priced relatively high for the six months ended 31 January 2017. On the other hand, used heavy vehicles have a relatively attractive price compared with new heavy vehicles and hence more customers opted for the used heavy vehicles. As a result, the sales volume of new heavy vehicle decreased from 69 units to 34 units while that of used heavy vehicles increased from 62 units to 104 units for the six months ended 31 January 2016 to the six months ended 31 January 2017. Hence, sale of new heavy vehicles decreased while sale of used heavy vehicles increased.

The average selling price of new heavy vehicles recorded an increase of 9.6% for the six months ended 31 January 2017, mainly attributable to increase in selling price due to JPY appreciation. The average selling price of used heavy vehicles decreased by 26.8% is mainly attributable to increase in sales of used heavy vehicles with relatively lower price.

The increase in sale of other heavy equipment was mainly due to the sale of 2 new high-value rougher cranes amounting to HK\$10.5 million for the six months ended 31 January 2017.

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Revenue of the leasing of heavy equipment

Our revenue from leasing of heavy equipment decreased by approximately HK\$5.3 million, or 55.0%, from approximately HK\$9.7 million for the six months ended 31 January 2016 to approximately HK\$4.4 million for the six months ended 31 January 2017. The decrease in revenue mainly arose from the rental income from a customer, whose involvement in a reclamation project in artificial island has been substantially completed during the six months ended 31 January 2016. The completion of the tunnel project of Customer C during the six months ended 31 January 2016 also lead to the decrease in rental income as compared to the six months ended 31 January 2017.

Cost of sales

Our cost of sales decreased by approximately HK\$14.6 million, or 11.9%, from approximately HK\$123.2 million for the six months ended 31 January 2016 to approximately HK\$108.6 million for the six months ended 31 January 2017. The decrease was mainly attributable to the decrease in cost of machinery, equipment and parts.

Cost of machinery, equipment and parts

Our cost of machinery, equipment and parts for sales decreased by approximately HK\$11.6 million, or 10.5%, from approximately HK\$110.6 million for the six months ended 31 January 2016 to approximately HK\$99.0 million for the six months ended 31 January 2017 which was generally in line with the 8.9% decrease in sales of heavy equipment and spare parts in the same periods. Such decrease was also in line with the decrease in the number of earthmoving equipment sold, especially new heavy vehicles with relatively higher average unit costs.

Staff costs

Our staff costs decreased by approximately HK\$1.0 million, or 27.8%, from approximately HK\$3.6 million for the six months ended 31 January 2016 to approximately HK\$2.6 million for the six months ended 31 January 2017. For the sales of heavy equipment and spare parts segment, staff costs increased by 30.6% as we expanded our technical and maintenance team for repairs and maintenance of our used heavy equipment for the six months ended 31 January 2017. For the leasing of heavy equipment segment, staff costs decreased by approximately HK\$1.1 million, or 56.3% as a result of the decrease in number of operating hours of our operators. Such decrease was in line with the decrease in revenue for leasing of heavy equipment of that segment.

Repairs and maintenance

Our repairs and maintenance costs decreased by approximately HK\$2.0 million, or 31.7%, from approximately HK\$6.3 million for the six months ended 31 January 2016 to approximately HK\$4.3 million for the six months ended 31 January 2017. Such decrease was mainly attributable to the decrease in expenses to subcontractors for repairs and maintenance services following the expansion of our maintenance team, which has been reflected in the cost of sales to staff costs.

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Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$3.3 million, or 12.9%, from approximately HK\$25.5 million for the six months ended 31 January 2016 to approximately HK\$22.2 million for the six months ended 31 January 2017. In addition, our gross profit margin remained stable at approximately 17.2% and 17.0% for the six months ended 31 January 2016 and 2017 respectively.

Gross profit of the sales of heavy equipment and spare parts

Our gross profit of sales of heavy equipment and spare parts increased by approximately HK\$1.0 million from approximately HK\$18.5 million for the six months ended 31 January 2016 to approximately HK\$19.5 million for the six months ended 31 January 2017.

In addition, our gross profit margin for sales of heavy equipment and spare parts segment increased from approximately 13.4% for the six months ended 31 January 2016 to approximately 15.5% for the six months ended 31 January 2017. Excluding the effect of reversal of allowance of inventories of HK\$0.4 million for the six months ended 31 January 2016, the gross profit margin of our sales of heavy equipment increased from 13.1% for the six months ended 31 January 2016 to 15.5% for the six months ended 31 January 2017. The increase in adjusted gross profit margin was mainly attributable to the sales of used heavy vehicles and other heavy equipment.

The increase in gross profit margin for sales of used heavy vehicles from approximately 6.6% for the six months ended 31 January 2016 to approximately 13.3% for the six months ended 31 January 2017 was mainly attributable to the decrease of 40.3% in cost of repair and maintenance for used heavy vehicles, and the increase in proportion of used heavy vehicles with relatively higher profit margin for the six months ended 31 January 2017.

Our gross profit margin of other heavy equipment increase from approximately 10.5% for the six months ended 31 January 2016 to 17.9% for the six months ended 31 January 2017. The increase was mainly attributed to the sale of rougher cranes, which has higher profit margin, during the six months ended 31 January 2017.

Our gross profit margin of spare parts increased from approximately 22.8% for the six months ended 31 January 2016 to approximately 15.1% for the six months ended 31 January 2017 was mainly attributable to the different sales mix of spare parts in respect of demand from customers.

Gross profit of the leasing of heavy equipment

Our gross profit of leasing of heavy equipment decreased by approximately HK\$4.1 million from approximately HK\$6.5 million for the six months ended 31 January 2016 to approximately HK\$2.4 million for the six months ended 31 January 2017. The gross profit margin was approximately 67.2% and 55.7% for the six months ended 31 January 2016 and 2017 respectively.

FINANCIAL INFORMATION

For the six months ended 31 January 2016, the rental income from the customer for a reclamation project and Customer C for a tunnel project incurred substantial overtime operating hours, which we charge the customers in a higher profit margin. Therefore, the gross profit margin dropped for the six months ended 31 January 2017 due to less overtime operating hours charged.

Gross profit of the maintenance and ancillary services

Our gross profit of maintenance and ancillary services segment contributed approximately 2.2% and 1.3% of the overall gross profit for the six months ended 31 January 2016 and 2017, respectively. The contribution of this segment was insignificant during the Track Record Period.

Other income

Our other income decreased by approximately HK\$0.7 million, or 53.8%, from approximately HK\$1.3 million for the six months ended 31 January 2016 to approximately HK\$0.6 million for the six months ended 31 January 2017. The decrease in other income was mainly due to the reversal of allowance for trade receivables amounting to HK\$1.0 million for the six months ended 31 January 2016.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$2.3 million, or 22.8%, from approximately HK\$10.1 million for the six months ended 31 January 2016 to approximately HK\$12.4 million for the six months ended 31 January 2017. The increase in administrative expenses was mainly attributable to combined effect of increase in listing expenses and legal and professional fee amounting to HK\$3.7 million for the six months ended 31 January 2017 and increase in staff costs by approximately HK\$0.5 million due to the increase in the number of staff for the six months ended 31 January 2017; this is partially offset by the absence of net foreign exchange loss of HK\$2.0 million for the six months ended 31 January 2017.

Listing expenses

For the six months ended 31 January 2016 and 2017, our Group incurred listing expenses of approximately HK\$1.1 million and HK\$4.3 million, respectively. For details, please refer to the paragraph headed “Listing Expenses” in this section.

Other expenses

Our other expenses decreased by approximately HK\$0.4 million, or 34.3% for the six months ended 31 January 2017 mainly because of the absence of donation for the six months ended 31 January 2017.

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Finance costs

Our finance costs remained stable at approximately HK\$0.7 million and HK\$0.5 million for the six months ended 31 January 2016 and 2017, respectively.

Income tax expenses

The income tax expenses decreased by approximately HK\$0.4 million, or 13.8%, from approximately HK\$2.9 million for the six months ended 31 January 2016 to HK\$2.5 million for the six months ended 31 January 2017 mainly because of the decrease in profit before tax.

Profit for the year and net profit margin

As a result of the foregoing, our profit decreased by approximately HK\$5.8 million, or 43.9%, from approximately HK\$13.2 million for the six months ended 31 January 2016 to approximately HK\$7.4 million for the six months ended 31 January 2017. Our net profit margin decreased to 5.7% for the six months ended 31 January 2017 as compared to 8.8% for the six months ended 31 January 2016.

FY2016 compared to FY2015

Revenue

For FY2016, our revenue amounted to approximately HK\$320.5 million representing an increase of approximately HK\$19.4 million or 6.4% from approximately HK\$301.1 million for FY2015. Such increase was mainly attributable to the growth in the sale of heavy equipment and spare parts.

Revenue from the sale of heavy equipment and spare parts

Our revenue from the sale of heavy equipment and spare parts increased by approximately HK\$32.7 million, or 12.2%, from approximately HK\$268.2 million for FY2015 to approximately HK\$300.9 million for FY2016. Such increase was mainly attributable to the increase in sale of used heavy vehicles of 87.7%, from HK\$74.0 million in FY2015 to HK\$138.9 million in FY2016 as a result of the increase demand of our earthmoving vehicles for infrastructure and construction projects in Hong Kong. The sale volume increased from 152 units in FY2015 to 188 units in FY2016.

Our revenue from the sales of used heavy vehicles increased by approximately HK\$64.9 million, or 87.7%, from approximately HK\$74.0 million for FY2015 to approximately HK\$138.9 million for FY2016. Such increase in sales of used heavy vehicles in FY2016 was mainly because JPY continues to appreciate since the end of 2015, the selling price has been adjusted upwards to reflect the increase in purchase cost. Since used heavy vehicles have a relatively attractive price compared with new heavy vehicles, more customers opted for the used heavy vehicles in FY2016.

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The average selling price of new heavy vehicles recorded a year-on-year decrease of 11.5% in FY2016, mainly attributable to sales of heavy vehicles having been concluded at higher price in FY2015 and we lowered the price of some of our products in response to the market competition in FY2016. The average selling price of used heavy vehicles increased by 51.7% is mainly attributable to increase in sales of used heavy vehicles with relatively higher price.

Revenue of the leasing of heavy equipment

Our revenue from leasing of heavy equipment decreased by approximately HK\$12.6 million, or 43.5%, from approximately HK\$29.0 million for FY2015 to approximately HK\$16.4 million for FY2016. The difference mainly arose from the rental income from Customer C, who leased a number of earthmoving equipment for a tunnel project throughout FY2015. We understand that the relevant project was substantially completed in FY2016. Subsequent to the end of leasing period of Customer C, some of the heavy equipment being leased to Customer C was in such conditions which require frequent maintenance and repair. Thus, we expected higher maintenance and repair costs shall be incurred by our Group if they are being leased again. In addition, other leasing customers at the relevant time either preferred to lease newer heavy equipment in our leasing fleet or brand new equipment to avoid frequent downtime, or required different types of heavy equipment for their use. In such circumstances, we elected to sell such heavy equipment for our sales business instead of to lease the heavy equipment to other customers upon completion of the project with Customer C.

Cost of sales

Our cost of sales increased by approximately HK\$21.4 million, or 8.6%, from approximately HK\$247.4 million for FY2015 to approximately HK\$268.8 million for FY2016. The increase was mainly attributable to the increase in cost of machinery, equipment and parts.

Cost of machinery, equipment and parts

Our cost of machinery, equipment and parts for sales increased by approximately HK\$29.8 million, or 13.9%, from approximately HK\$214.4 million for FY2015 to approximately HK\$244.2 million for FY2016 which was generally in line with the 12.2% increase in sales of heavy equipment and spare parts in the same period. Such increase was also in line with the increase in the number of earthmoving equipment especially used heavy vehicles, which were procured at higher costs, sold in FY2016 to meet the demand of customers.

Staff costs

Our staff costs decreased by approximately HK\$3.2 million, or 32.7%, from approximately HK\$9.7 million for FY2015 to approximately HK\$6.5 million for FY2016. For the sales of heavy equipment and spare parts segment, staff costs increased by 119.1% as we expanded our technical and maintenance team for repairs and maintenance of our used heavy equipment in FY2016. For the leasing of heavy equipment segment, staff costs decreased by 52.9%, mainly attributable to the decrease in number of operating hours of our operators which is in line with the decrease in revenue for leasing of heavy equipment of that segment.

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Repairs and maintenance

Our repairs and maintenance costs decreased by approximately HK\$2.5 million, or 16.9%, from approximately HK\$14.9 million for FY2015 to approximately HK\$12.4 million for FY2016. Such decrease was mainly attributable to the decrease in expenses to subcontractors for repairs and maintenance services following the expansion of our maintenance team, which has been reflected in the cost of sales to staff costs.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$1.9 million, or 3.5%, from approximately HK\$53.6 million for FY2015 to approximately HK\$51.7 million for FY2016. In addition, our gross profit margin decreased from approximately 17.8% for FY2015 to approximately 16.1% for FY2016.

Gross profit of the sales of heavy equipment and spare parts

Our gross profit of sales of heavy equipment and spare parts increased by approximately HK\$6.8 million from approximately HK\$33.4 million for FY2015 to approximately HK\$40.2 million for FY2016.

In addition, our gross profit margin for sales of heavy equipment and spare parts segment increased slightly from approximately 12.5% for FY2015 to approximately 13.4% for FY2016. Excluding the effect of allowance of inventories of approximately HK\$5.0 million provided in FY2015 and reversal of allowance of inventories of HK\$5.0 million in FY2016, the gross profit margin of our sales of heavy equipment decreased from 14.3% in FY2015 to 11.7% in FY2016. The decrease in adjusted gross profit margin was mainly attributable to the increase in cost of earthmoving equipment as a result of appreciation of JPY, which was not fully passed on to our customers, in FY2016.

The decrease in gross profit margin for sales of used heavy vehicles from approximately 7.3% for FY2015 to approximately 4.9% for FY2016 was mainly attributable to the increase in proportion of used heavy vehicles with relatively lower profit margin in FY2016.

Our gross profit margin of earthmoving attachment increased from approximately 10.2% for FY2015 to approximately 12.1% for FY2016 due to the increase in sales of earthmoving attachment with higher profit margin in FY2016.

Our gross profit margin of spare parts increased from approximately 16.7% for FY2015 to approximately 18.4% for FY2016 was mainly attributable to the different sales mix of spare parts in respect of demand from customers.

FINANCIAL INFORMATION

Gross profit of the leasing of heavy equipment

Our gross profit of leasing of heavy equipment decreased by approximately HK\$8.1 million from approximately HK\$18.4 million for FY2015 to approximately HK\$10.3 million for FY2016. The gross profit margin was approximately 63.6% for FY2015 and approximately 62.8% for FY2016.

The gross profit margin of leasing of heavy equipment services was relatively stable during the Track Record Period.

Gross profit of the maintenance and ancillary services

Our gross profit of maintenance and ancillary services segment contributed approximately 3.3% and 2.4% of the overall gross profit for FY2015 and FY2016, respectively. The contribution of this segment was insignificant during the Track Record Period.

Other income

Our other income decreased by approximately HK\$4.7 million, or 58.8%, from approximately HK\$8.0 million for FY2015 to approximately HK\$3.3 million for FY2016. The decrease in other income was mainly due to the foreign exchange gain amounting to HK\$7.2 million in FY2015, which was partially offset by the the reversal of allowance for trade receivables amounting to HK\$2.4 million in FY2016.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$2.3 million, or 10.2%, from approximately HK\$22.6 million for FY2015 to approximately HK\$24.9 million for FY2016. The increase in administrative expenses was mainly attributable to combined effect of (i) increase in net foreign exchange loss amounting to HK\$7.3 million in FY2016 and (ii) increase in staff costs by approximately HK\$0.7 million due to the increase in the number of staff in FY2016; this is partially offset by the absence of allowance of trade receivables in FY2016.

Listing expenses

For FY2015 and FY2016, our Group incurred listing expenses of approximately HK\$2.0 million and HK\$2.8 million, respectively. For details, please refer to the paragraph headed “Listing Expenses” in this section.

Finance costs

Our finance costs remained stable at approximately HK\$1.3 million for FY2015 and FY2016.

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Income tax expenses

The income tax expenses decreased by approximately HK\$1.2 million, or 18.5%, from approximately HK\$6.5 million for FY2015 to HK\$5.3 million in FY2016 because of the decrease in profit before tax.

Profit for the year and net profit margin

As a result of the foregoing, our profit decreased by approximately HK\$7.7 million, or 24.7%, from approximately HK\$31.2 million for FY2015 to approximately HK\$23.5 million for FY2016. Our net profit margin decreased to 7.3% for FY2016 as compared to 10.4% for FY2015.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our operations (which included funding required for working capital, acquisition of property, plant and equipment and other liquidity requirements) through a combination of cash flow from operations and bank borrowings. We expect to fund our future operations and expansion plans principally with cash generated from our operations, bank borrowings and the net proceeds from the Share Offer.

Cash flows

The table below sets out the changes in cash flows of our Group during the Track Record Period:

	For the year ended 31 July		For the six months ended 31 January	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
			<i>(Unaudited)</i>	
Operating profit before working capital changes	<u>53,833</u>	<u>25,781</u>	<u>16,923</u>	<u>11,722</u>
Net cash generated from/(used in) operating activities	29,940	104,462	36,531	(22,187)
Net cash (used in)/generated from investing activities	(815)	(400)	455	434
Net cash (used in)/generated from financing activities	(9,345)	(98,079)	(19,655)	20,694
Effect of foreign exchange rate changes	<u>489</u>	<u>(265)</u>	<u>22</u>	<u>(680)</u>
Net increase/(decrease) in cash and cash equivalents	20,269	5,718	17,353	(1,739)
Cash and cash equivalents at beginning of the year/period	<u>9,483</u>	<u>29,752</u>	<u>29,752</u>	<u>35,470</u>
Cash and cash equivalents at the end of the year/period	<u>29,752</u>	<u>35,470</u>	<u>47,105</u>	<u>33,731</u>

FINANCIAL INFORMATION

Net cash generated from operating activities

Throughout the Track Record Period, we derive our cash generated from operating activities principally from receipt of payments from the sales and leasing of heavy equipment and sales of spare parts. Cash used in operating activities is principally for purchases of heavy equipment and operating expenses such as staff costs and repairs and maintenance expenses.

Our cash generated from operating activities reflects our profit before taxation, adjusted for non-cash items, such as provision or reversal of allowance for trade receivables, provision or reversal of allowance for inventories, depreciation and gain on disposals of property, plant and equipment, interest income, finance costs, and the changes in working capital, such as increases or decreases in inventories, trade and other receivables and trade and other payables. Net cash inflow from operating activities for FY2015 were approximately HK\$29.9 million while our profit before tax was approximately HK\$37.7 million. The net cash generated from operating activities was the result of operating profits of approximately HK\$53.8 million and net working capital outflow of HK\$20.9 million. For FY2015, the net working capital outflow mainly represented (i) the increase in inventories amounted to HK\$11.2 million due to the procurement of NRMM qualified earthmoving equipment in response to the NRMM Regulation and (ii) the increase in prepayments, deposits and other receivables amounted to HK\$10.9 million due to the prepayment for the purchase of NRMM qualified earthmoving equipment.

Net cash generated from operating activities for FY2016 were approximately HK\$104.5 million while our profit before tax was approximately HK\$28.8 million. The net cash generated from operating activities was the result of operating profit before working capital changes of HK\$25.8 million and net working capital inflow of HK\$80.1 million. The net working capital inflow was largely attributable to the year-on-year decreases in trade receivables, prepayments, deposits and other receivables and inventories which amounted to HK\$36.2 million, HK\$26.2 million and HK\$18.4 million respectively.

Net cash used in operating activities for the six months ended 31 January 2017 were approximately HK\$22.2 million while our profit before tax was approximately HK\$9.9 million. The net cash used in operating activities was the result of operating profit before working capital changes of HK\$11.7 million and net working capital outflow of HK\$23.4 million. The net working capital outflow was largely attributable to the increases in trade receivables. The Directors consider that such increase was mainly due to slow settlement from several customers and the Chinese New Year effect which generally slowed down our collection process. The payment collection process improved and there was no further delay of the payment from the above customers after 31 January 2017. Increase in prepayments, deposits and other receivables amounted to HK\$18.2 million was mainly due to the prepayment for the procurement of various heavy equipment of approximately HK\$16.9 million, which include 162 diesel generators to expand our leasing fleet.

The explanation for the fluctuation of current assets and liabilities is set out in “Analysis of Selected Items of Consolidated Statement of Financial Position” in this section.

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Net cash used in investing activities

During the Track Record Period, cash used in investing activities principally arose from the purchases of property, plant and equipment.

For FY2015, we had net cash outflow from investing activities of HK\$0.8 million, which mainly arose from the purchases of plant, property and equipment of HK\$1.3 million, offset by the proceeds from disposal of property, plant and equipment of HK\$0.4 million.

For FY2016, we had net cash outflow from investing activities of HK\$0.4 million, which mainly arose from the purchases of plant, property and equipment of HK\$1.4 million, offset by the proceeds from disposal of property, plant and equipment of HK\$0.9 million.

For the six months ended 31 January 2017, we had net cash inflow from investing activities of HK\$0.4 million, which mainly arose from the proceeds from disposal of property, plant and equipment.

Net cash used in financing activities

During the Track Record Period, the cash inflow generated from our financing activities was mainly derived from new bank borrowings, whereas the cash outflow used in our financing activities mainly represented the repayments of bank borrowings and amount due to a director, and also the dividends paid to our Controlling Shareholders.

For FY2015, we had net cash outflow from financing activities of HK\$9.3 million, which mainly resulted from the net effect of the import loans raised of HK\$200.5 million, the repayments of bank borrowings of HK\$199.6 million and amount due to a director of HK\$2.2 million, and also the dividends paid to our Controlling Shareholders of HK\$8.1 million.

For FY2016, we had net cash outflow from financing activities of HK\$98.1 million, which mainly resulted from the net effect of the import loans raised of HK\$164.8 million and repayment of bank borrowings of HK\$203.1 million, and also the dividends paid to our Controlling Shareholders of HK\$59.5 million.

For the six months ended 31 January 2017, we had net cash inflow from financing activities of HK\$20.7 million, which mainly resulted from the net effect of the import loans raised of HK\$67.0 million and repayment of bank borrowings of HK\$46.2 million.

FINANCIAL INFORMATION

CAPITAL EXPENDITURE

Our capital expenditures, amounted to approximately HK\$20.3 million, HK\$19.1 million and HK\$18.9 million for FY2015, FY2016 and for the six months ended 31 January 2017 respectively were funded out of bank borrowings, finance leases, and cash flows from our operations have been primarily used to expand our inventory and rental fleet. The following table set out our historical capital expenditures during the Track Record Period:

	For the year ended 31 July		For the six months ended
	2015	2016	31 January
	HK\$'000	HK\$'000	2017
			HK\$'000
Additions to machinery for lease	19,010	16,043	18,848
Additions to leasehold improvements	238	234	–
Purchases of plant and machinery	–	25	–
Purchases of office equipment and furniture and fixtures	77	83	6
Purchase of motor vehicles	1,004	2,675	–
	<u>20,329</u>	<u>19,060</u>	<u>18,854</u>

Details of our planned capital expenditure to be incurred for each of our financial years ending 31 July 2017 and 31 July 2018 are set out in the section headed “Future plan and use of proceeds – Use of proceeds” of this prospectus.

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NET CURRENT ASSETS

The following table sets out the breakdown of our current assets, current liabilities and net current assets as at 31 July 2015, 31 July 2016, 31 January 2017 and 31 May 2017:

	As at 31 July		As at 31 January	As at 31
	2015	2016	2017	May 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Current assets				
Inventories	120,282	108,917	99,714	154,899
Trade receivables	75,097	41,338	46,881	29,638
Prepayments, deposits and other receivables	32,217	6,053	24,292	11,960
Amount due from ultimate parent	–	– ⁽ⁱ⁾	– ⁽ⁱ⁾	– ⁽ⁱ⁾
Bank and cash balances	29,752	35,470	33,731	22,455
Pledged bank deposit	–	–	–	10,000
Total current assets	257,348	191,778	204,618	228,952
Current liabilities				
Trade payables	2,397	5,140	2,285	2,455
Other payables and accruals	4,169	1,700	1,691	336
Deposits receipt in advance	5,088	4,202	4,723	4,748
Finance lease payables	–	346	351	354
Current tax liabilities	5,225	10,242	1,737	2,470
Deferred tax liabilities	2,403	1,680	2,591	3,033
Bank borrowings	56,807	18,286	38,472	62,670
Total current liabilities	76,089	41,596	51,850	76,066
Net current assets	181,259	150,182	152,768	152,886

(i) Represent the amount less than HK\$1,000.

As at 31 July 2015, our Group had net current assets of HK\$181.3 million. Our current assets mainly comprised (i) inventories of HK\$120.3 million (representing 46.7% of our total current assets) and (ii) trade receivables of HK\$75.1 million (representing 29.2% of our total current assets). Our current liabilities mainly comprised (i) bank borrowings of HK\$56.8 million (representing 74.7% of our total current liabilities) and (ii) current tax liabilities of HK\$5.2 million (representing 6.9% of our total current liabilities).

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As at 31 July 2016, our Group had net current assets of HK\$150.2 million, representing a decrease of HK\$31.1 million, or 17.1%, as compared with the net current assets as at 31 July 2015. Our current assets mainly comprised (i) inventories of HK\$108.9 million (representing 56.8% of our total current assets) and (ii) trade receivables of HK\$41.3 million (representing 21.6% of our total current assets). Our current liabilities mainly comprised (i) bank borrowings of HK\$18.3 million (representing 44.0% of our total current liabilities) and (ii) current tax liabilities of HK\$10.2 million (representing 24.6% of our total current liabilities).

The decrease in net current assets was mainly attributable to the payment of dividend, amounted to approximately HK\$59.5 million in FY2016, which was partially offset by the net profit of approximately HK\$23.5 million generated in FY2016.

As at 31 January 2017, our Group had net current assets of HK\$152.8 million representing an increase of HK\$2.6 million, or 1.7%, as compared with the net current assets as at 31 July 2016. Our current assets mainly comprised (i) inventories of HK\$99.7 million (representing 48.7% of our current assets) and (ii) trade receivables of HK\$46.9 million (representing 22.9% of our current assets). Our current liabilities mainly comprised (i) bank borrowings of HK\$38.5 million (representing 74.2% of our current liabilities) and (ii) deposits receipt in advance of HK\$4.7 million (representing 9.1% of our current liabilities).

The increase in net current assets as at 31 January 2017 was mainly attributable to the application of profit for the six months ended 31 January 2017 to purchase of heavy equipment and the payment of Hong Kong Profits Tax.

As at 31 May 2017, our Group had net current assets of HK\$152.9 million representing an increase of HK\$0.1 million, or 0.1%, as compared with the net current assets as at 31 January 2017. Our current assets mainly comprised (i) inventories of HK\$154.9 million (representing 67.6% of our current assets) and (ii) trade receivables of HK\$29.6 million (representing 12.9% of our current assets). Our current liabilities mainly comprised bank borrowings of HK\$62.7 million (representing 82.4% of our current liabilities).

The increase in net current assets as at 31 May 2017 was mainly attributable to the net effect of the application of profit for the four months ended 31 May 2017 to purchase of inventories and offset by the reclassification from inventories to machinery for lease.

ANALYSIS OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment of the Group mainly comprised machinery for lease, representing the heavy equipment need for lease. The aggregate net book value of machinery for lease accounted for 91.1%, 79.1% and 89.8% of total net book value of our property, plant and equipment as at 31 July 2015, 31 July 2016 and 31 January 2017 respectively. The remaining property, plant and equipment consisted of leasehold improvements, plant and machinery, furniture and fixtures, office equipment and motor vehicles. As at 31 July 2015, 31 July 2016 and 31 January 2017, the carrying value of our property, plant and equipment amounted to approximately HK\$16.0 million, HK\$13.0 million and HK\$17.6 million, respectively.

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During the Track Record Period, we reclassified some of the inventories to property, plant and equipment as machinery for lease when the relevant heavy equipment was leased to our Group's customers. The value of heavy equipment reclassified amounted to approximately HK\$19.0 million, HK\$16.0 million and HK\$18.8 million for FY2015, FY2016 and for the six months ended 31 January 2017, respectively.

Inventories

Our inventories represent our heavy equipment and spare parts held for sale. The following table sets out our inventories during the Track Record Period:

	As at 31 July	As at 31 January
	2015	2016
	2017	
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Inventories	125,280	108,917
Allowance for inventories	(4,998)	—
	<u>120,282</u>	<u>108,917</u>
	<u><u>120,282</u></u>	<u><u>108,917</u></u>
		<u><u>99,714</u></u>

Our inventories amounted to approximately HK\$120.3 million, HK\$108.9 million and HK\$99.7 million as at 31 July 2015, 31 July 2016 and 31 January 2017, respectively representing a decrease of HK\$11.4 million, or 9.5% in FY2016 compared to FY2015 and a further decrease of HK\$9.2 million, for the six months ended 31 January 2017, or 8.4% compared to FY2016. In light of the effective of the NRMM Regulation, we stocked additional exempted NRMMs as at 31 July 2015 in anticipation of the market demand of exempted NRMMs before the implementation of phase out plan of the NRMM Regulation. The decrease in inventories as at 31 January 2017 was mainly attributed to the sale of certain high-value earthmoving equipment, which was included in the inventory balance as at 31 July 2016, during the six months ended 31 January 2017. For further information of the NRMM Regulation, please refer to the section "Regulatory Overview" of this prospectus.

As at the Latest Practicable Date, approximately HK\$38.5 million, or 38.6% of our inventory balance as at 31 January 2017 has been utilised.

During the Track Record Period, we reclassified some of the inventories from machinery for lease at their carrying amount when the machinery for lease cease to be leased and become held for sale. The carrying amounts reclassified from machinery for lease to inventories amounted to approximately HK\$14.0 million, HK\$18.1 million and HK\$12.4 million for FY2015, FY2016 and the six months ended 31 January 2017, respectively.

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Our inventories are stated at the lower of cost and net realisable value. At the end of each financial year, we assessed whether any inventory provision of machinery was necessary by considering various factors, including but not limited to, the age of our inventory, expected demand from customers and the expected selling price as assessed by an independent valuer. After performing the aforesaid assessments, an allowance for inventories of approximately HK\$5.0 million was made in FY2015 and a reversal of allowance for inventories of approximately HK\$5.0 million was made in FY2016 when the relevant machineries are sold in FY2016. The allowance and reversal of allowance for inventories were both included in costs of machinery, equipment and parts.

The following table sets out our average inventory turnover days as of the indicated dates:

	As at 31 July 2015	As at 31 July 2016	As at 31 January 2017
Average inventory turnover days <i>(Note)</i>	<u>204</u>	<u>171</u>	<u>194</u>

Note: Average inventory turnover days equal to the average inventory divided by total cost of machinery, equipment and parts and multiplied by 365 days for the years ended 31 July 2015 and 31 July 2016, and multiplied by 184 days for the six months ended 31 January 2017, respectively. Average inventory equals inventory at the beginning of the year/period plus inventory at the end of the year/period and divided by two.

Our average inventory turnover days are approximately 204 days, 171 days and 194 days as at 31 July 2015, 31 July 2016 and 31 January 2017, respectively. Our inventory amounts and turnover days slightly decreased as at 31 July 2016 because of a higher inventory level was maintained in FY2015 to abide by the NRMM Regulation, leading to a decrease in inventory as at 31 July 2016 as compared with that at 31 July 2015.

As at 31 January 2017, our inventory balance decreased with the number of units of heavy equipment kept at period end. The turnover days slightly increased to 194 days as at 31 January 2017 since our Group kept certain high-value earthmoving equipment as at 31 July 2016 which were sold for the six months ended 31 January 2017. As a result, the average inventory balance for the six months ended 31 January 2017 was drove up by the opening inventory balance and leading to the increase in turnover days.

It is one of our business strategies to maintain ready stock of heavy equipment to fulfill the needs of our customers as they may at times require the prompt provision of earthmoving equipment. We believe this strategy is attractive to our customers as we can cater their needs by providing the heavy equipment readily without further placing order to suppliers.

FINANCIAL INFORMATION

Trade receivables

The following table sets out our trade receivables during the Track Record Period:

	As at 31 July		As at 31 January
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	81,795	45,612	51,155
Allowance for doubtful debts	(6,698)	(4,274)	(4,274)
	75,097	41,338	46,881

Our trade receivables amounted to approximately HK\$75.1 million, HK\$41.3 million and HK\$46.9 million as at 31 July 2015, 31 July 2016, and 31 January 2017 respectively. It represented receivables from our sales and leasing of heavy equipment and spare parts. The decrease in trade receivables of approximately HK\$36.2 million from HK\$81.8 million as at 31 July 2015 to HK\$45.6 million as at 31 July 2016, which was mainly the result of our effort made in requesting our customers to settle the receivables within the credit term and following up closely the outstanding balances. However, the Directors consider the increase in trade receivable as at 31 January 2017 was mainly attributable to slow settlement from several customers and the Chinese New Year effect, which generally slowed down our collection process.

The table below sets out the aging analysis of trade receivables, based on delivery date and net of allowance:

	As at 31 July		As at 31 January
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
0 to 90 days	36,419	34,486	26,569
91 to 180 days	19,726	1,521	3,582
181 to 365 days	10,022	3,784	14,495
Over 1 year	8,930	1,547	2,235
	75,097	41,338	46,881

The trade receivables aged over 90 days dropped significantly over year ended 31 July 2016 and increased for the six months ended 31 January 2017. The trade receivables that were past due but not impaired relate to a number of independent customers of whom there is no recent history of default. Based on past experience, we believe no further impairment is necessary in respect of these balances as there has not been a significant change in the credit quality of these customers and the balances are still considered fully recoverable. We do not hold any collateral over these balances.

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	As at 31 July 2015	As at 31 July 2016	As at 31 January 2017
Average trade receivable turnover days ^{Note}	95	73	68

Note: Average trade receivables turnover days equal to the average gross trade receivables divided by total sales and multiplied by 365 days for year ended 31 July 2015 and 31 July 2016, and multiplied by 184 days for the six months ended 31 January 2017. Average gross trade receivables are equal to trade receivables at the beginning of the year/period plus trade receivables at the end of the year/period and divided by two.

The average trade receivable turnover days decreased from approximately 95 days as at 31 July 2015 to approximately 73 days as at 31 July 2016, and decreased slightly to 68 days as at 31 January 2017. The decrease in average trade receivable turnover days was mainly attributable to (i) the increased effort in collection of trade debts and to maintain strict control over its outstanding receivables especially for those debts which were past due and (ii) there were more new customers with credit terms of cash on delivery in general in FY2016.

In FY2015, an allowance for trade receivables of HK\$6.7 million, which was included in administrative and other operating expenses, was made in respect of the trade receivable due from one customer that we consider the chance of collection is remote. No other allowance for trade receivables were made during the Track Record Period.

In FY2016, a reversal of allowance for trade receivables of HK\$2.4 million, which was included in other income and net gains, was made, which was mainly due to the partial settlement of the trade receivable of the customer whom there was an allowance for those trade receivables made in FY2015.

As at the Latest Practicable Date, trade receivables of approximately HK\$38.8 million, or 82.7% (net of allowance for doubtful debts) as at 31 January 2017 of HK\$46.9 million had been settled.

Prepayments, deposits and other receivables

The following table sets out our prepayments, deposits and other receivables during the Track Record Period:

	As at 31 July 2015 HK\$'000	As at 31 July 2016 HK\$'000	As at 31 January 2017 HK\$'000
Prepayments	27,920	4,944	23,207
Deposits	850	857	857
Other receivables	3,447	252	228
	<u>32,217</u>	<u>6,053</u>	<u>24,292</u>

Our prepayments, deposits and other receivables amounted to approximately HK\$32.2 million, HK\$6.1 million and HK\$24.3 million as at 31 July 2015, 31 July 2016 and 31 January 2017, respectively. It is primarily composed of prepayments for purchase of earthmoving equipment and attachments, various trade and utilities deposits and miscellaneous receivables.

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The decrease in prepayments, deposits and other receivables of approximately HK\$26.1 million, from approximately HK\$32.2 million as at 31 July 2015 to approximately HK\$6.1 million as at 31 July 2016 was mainly attributable to the decrease in prepayments for acquisition of earthmoving equipment and attachments, by approximately HK\$24.2 million. The decrease is mainly attributable to (i) prepayments for purchase of exempted NRMMS in July 2015 and (ii) prepayments for purchase of used earthmoving vehicles imported from overseas in the fourth quarter of FY2015 in anticipation of the growing demand of relevant heavy vehicles. The decrease in other receivables of approximately HK\$3.2 million was mainly attributable to the absence of advances to customers of approximately HK\$2.2 million as at 31 July 2016.

The increase in prepayments, deposits and other receivables of approximately HK\$18.2 million, from approximately HK\$6.1 million as at 31 July 2016 to approximately HK\$24.3 million as at 31 January 2017 was mainly attributable to the increase in prepayments for acquisition of various heavy equipment by approximately HK\$16.9 million which include 162 diesel generators to expand our leasing fleet.

Trade payables

The following table sets out our trade payables during the Track Record Period:

	As at 31 July	As at 31 January
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<u>2,397</u>	<u>5,140</u>
		<u>2,285</u>

Our trade payables amounted to HK\$2.4 million, HK\$5.1 million and HK\$2.3 million as at 31 July 2015, 31 July 2016 and 31 January 2017, respectively. It mainly represented payables for purchase of spare parts. There was a slight increase of HK\$2.7 million in the trade payables as at 31 July 2016 as compared to 31 July 2015.

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	As at 31 July	As at 31 January
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	<u>2,397</u>	<u>5,140</u>
		<u>2,285</u>

	As at 31 July	As at 31 January
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Average trade payables turnover days	<u>2</u>	<u>5</u>
		<u>6</u>

Note: Average trade payables turnover days equal to the average trade payables divided by cost of sales and multiplied by 365 days for year ended 31 July 2015 and 31 July 2016, and multiplied by 184 days for the six months ended 31 January 2017. Average trade payables are equal to trade payables at the beginning of the year/period plus trade payables at end of the year/period and divided by two.

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Our average trade payables turnover days remains stable for FY2015, FY2016 and the six months ended 31 January 2017.

For purchase of heavy equipment, payment in advance or cash on delivery is normally required by our suppliers. For purchase of spare parts, the credit terms generally range from 0 to 30 days. The trade payables were settled within the credit period granted for purchase of spare parts.

As at the Latest Practicable Date, trade payables of approximately HK\$2.3 million, or 100.0% of our trade payables as at 31 January 2017 had been settled.

Other payables and accruals

The following table sets out our other payables and accruals during the Track Record Period:

	As at 31 July 2015 HK\$'000	As at 31 July 2016 HK\$'000	As at 31 January 2017 HK\$'000
Other payables and accruals			
Accrued staff costs	105	–	–
Accrued listing expenses	1,980	1,300	1,460
Accrued administrative and operating expenses	480	400	231
Prepayments received for leasing of machinery	1,604	–	–
	4,169	1,700	1,691
Deposits receipt in advance	5,088	4,202	4,723
	9,257	5,902	6,414

Our other payables and accruals amounted to approximately HK\$9.3 million, HK\$5.9 million and HK\$6.4 million as at 31 July 2015, 31 July 2016 and 31 January 2017, respectively. It is primarily composed of (i) deposits received in advance, representing the non-refundable deposits received from customers for ordering new earthmoving equipment, amounted to approximately HK\$5.1 million, HK\$4.2 million and HK\$4.7 million for FY2015, FY2016 and the six months ended 31 January 2017 respectively, and (ii) prepayments received for leasing of machinery and accrued expenses amounted to approximately HK\$4.2 million and HK\$1.7 million and HK\$1.7 million for FY2015, FY2016 and the six months ended 31 January 2017 respectively. The decrease in the amount of other payables and accruals as at 31 July 2016 compared to 31 July 2015 was mainly attributable to the decrease in the amount of deposits receipt in advance of approximately HK\$0.9 million and rental deposits received for leasing of machinery of approximately HK\$1.6 million and accrued listing expenses of approximately HK\$0.7 million in FY2016.

The increase in the amount of other payables and accruals as at 31 January 2017 compared to 31 July 2016 was mainly attributable to the increase in the amount of deposits receipt in advance of approximately HK\$0.5 million.

FINANCIAL INFORMATION

Finance lease payables

We acquired some motor vehicles under finance leases in FY2016.

The following table sets out our finance lease payables during the Track Record Period:

	As at 31 July 2015 HK\$'000	As at 31 July 2016 HK\$'000	As at 31 January 2017 HK\$'000
Present value of minimum lease payments:			
Within one year	–	346	351
In the second to fifth years, inclusive	–	386	209
	<u>–</u>	<u>732</u>	<u>560</u>

The lease term is three years. As at 31 July 2015, 31 July 2016 and 31 January 2017, the flat rate was nil, 1.49% and 1.49% respectively. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicles at nominal prices.

Bank borrowings

The following table sets out our bank borrowings during the Track Record Period:

	As at 31 July 2015 HK\$'000	As at 31 July 2016 HK\$'000	As at 31 January 2017 HK\$'000
Bank loan	4,800	2,400	–
Import loans	52,007	15,886	38,472
	<u>56,807</u>	<u>18,286</u>	<u>38,472</u>
The bank borrowings are repayable as follows:			
On demand or within one year	54,407	18,286	38,472
In the second year	2,400	–	–
	<u>56,807</u>	<u>18,286</u>	<u>38,472</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(54,407)</u>	<u>(18,286)</u>	<u>(38,472)</u>
Portion of bank loan that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	<u>2,400</u>	<u>–</u>	<u>–</u>

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Our bank borrowings were secured and arranged at floating rates. The majority of our bank borrowings were import loans used to finance the purchase of heavy equipment. As at 31 July 2015, 31 July 2016 and 31 January 2017, our bank borrowings amounted to HK\$56.8 million, HK\$18.3 million and HK\$38.5 million, respectively. The decrease in bank borrowings was mainly attributable to the early repayment of import loans denominated in JPY with maturity in August 2016 as we anticipated that JPY would continue to appreciate after 31 July 2016.

The increase in bank borrowings was mainly attributable to inception of additional import loans for purchase of various new heavy equipment.

During the years ended 31 July 2015 and 2016 and six months ended 31 January 2017, our bank loan bore interest at 2.55% per annum plus the bank's one-month interbank offer rate ("HIBOR") while our import loans bore interest at 1.5% per annum below or 0.5% per annum plus bank's standard bills finance rate or 3.5% plus HIBOR/LIBOR. Meanwhile, the interest rate of our obligation under finance lease for the same financial year is at flat rate of 1.49% per annum.

The details of the security and guarantee of our bank borrowings are set out in note 24 "Bank Borrowings" of the Accountants' Report in Appendix I of this prospectus.

The aforementioned legal charge over the property of a related company was released on 8 February 2017 and replaced by the Group's bank deposit pledged amounted to HK\$10.0 million.

INDEBTEDNESS

As at 31 May 2017, being the latest practicable date for the purpose of this indebtedness statement, we had outstanding indebtedness of HK\$63.1 million, consisting bank loans of nil, import loans of HK\$62.7 million and finance lease payables of HK\$0.4 million. As at 31 May 2017, being the latest practicable date for the purpose of indebtedness, our Group had unrestricted and unutilised banking facilities for bank borrowings of approximately HK\$2.3 million.

Bank borrowings of HK\$62.7 million bore interest at 1.5% per annum below or 0.5% per annum plus bank's standard bills finance rate or 3.5% plus HIBOR/LIBOR and were secured by (i) personal guarantees jointly or severally executed by Mr. Chow and Ms. Cheng of which HK\$62.7 million is repayable within one year; and (ii) Group's bank deposit pledged amounted to HK\$10.0 million. Finance lease of HK\$0.4 million bore at a flat interest rate of 1.49% per annum and was secured by a legal charge over the motor vehicles of the Group. As at 31 May 2017, our Group had banking facilities of HK\$65.0 million in aggregate of which HK\$62.7 million has been drawn down.

FINANCIAL INFORMATION

The maturity profile of the Group's finance lease is payable as follows:

	As at
	31 May 2017
	<i>HK\$'000</i>
Analysed for reporting purpose as	
Current liabilities	354
Non-current liabilities	90
	444

Save as aforesaid or as otherwise disclosed herein, we did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 May 2017, being the latest practicable date determining our Group's indebtedness.

Our Directors have confirmed that (i) there has not been any material change in our indebtedness and contingent liabilities since 31 May 2017, being the latest practicable date of this indebtedness statement, and up to the Latest Practicable Date; (ii) the bank loans and banking facilities are subject to the standard banking conditions and covenants; (iii) our Group has complied with all of the covenants under our bank borrowings during the Track Record Period; (iv) our Group has not received any notice from the bank indicating that it might withdraw or downsize the bank loans and banking facility; (v) our Group does not have any material external debt financing plans as at the Latest Practicable Date; and (vi) the aforementioned personal guarantees will be released and replaced by corporate guarantees provided by the Company upon Listing.

OFF-BALANCE SHEET ARRANGEMENTS

Save as disclosed below, we have not entered into any off-balance sheet arrangements during the Track Record Period and up to the Latest Practicable Date.

Capital commitments

Our capital commitments represent the purchases of property, plant and equipment. Our capital commitment contracted but not provided for amounted to approximately HK\$1.8 million, HK\$nil and HK\$nil as at 31 July 2015, 31 July 2016 and 31 January 2017, respectively.

FINANCIAL INFORMATION

Operating lease commitments

The Group as lessee

The table below set out the total future minimum lease payments under non-cancellable operating leases that are payable:

	As at 31 July 2015 HK\$'000	As at 31 July 2016 HK\$'000	As at 31 January 2017 HK\$'000
Within one year	2,623	1,597	689
In the second to fifth years inclusive	1,465	–	–
	4,088	1,597	689
	4,088	1,597	689

Operating lease payments represent rentals payable by the Group for its office and director's quarter.

The Group as lessor

The table below set out the total future minimum lease payments under non-cancellable operating leases that are receivable:

	As at 31 July 2015 HK\$'000	As at 31 July 2016 HK\$'000	As at 31 January 2017 HK\$'000
Within one year	4,384	263	1,797
	4,384	263	1,797
	4,384	263	1,797

Operating lease payments represent rentals receivable by the Group for its earthmoving machinery and equipment.

Contingent Liabilities

As at 31 July 2015, 31 July 2016 and 31 January 2017, we did not have any material contingent liabilities, guarantees or any material legal proceedings involving us.

WORKING CAPITAL

Our Directors confirm that there had not been any material defaults in payment of trade and non-trade payables and bank borrowings or any material covenants relating to our Group's outstanding borrowing during the Track Record Period.

FINANCIAL INFORMATION

Our Directors confirm that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Listing, available banking facilities and cash flows from operations. The sole Sponsor concurs with our Directors' views in this regard.

KEY FINANCIAL RATIOS

	For the year ended/ as at 31 July		For the six months ended/ as at 31 January
	2015	2016	2017
Current ratio	3.38 times	4.61 times	3.95 times
Gearing ratio	28.6%	11.7%	22.9%
Debt to equity ratio	13.6%	N/A	3.1%
Interest coverage	30.1 times	23.6 times	22.3 times
Return on total assets	11.4%	11.5%	6.6%
Return on equity	15.7%	14.4%	8.6%
Net profit margin	10.4%	7.3%	5.7%

Current ratio

Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.

Our Group's current ratio were approximately 3.38 times, 4.61 times and 3.95 times as at 31 July 2015, 31 July 2016 and 31 January 2017, respectively. Our current ratio increased from 3.38 times as at 31 July 2015 to 4.61 times as at 31 July 2016 mainly due to the fact that our current assets did not decrease as much as our current liabilities in terms of percentage. The decrease in our current assets as at 31 July 2016 was mainly caused by the decrease in inventories, trade receivables and prepayments, deposits and other receivables, totally amounted to HK\$71.3 million as discussed in the section of "Analysis of selected items of consolidated statement of financial position", and offset by the increase in bank and cash balances amounted to HK\$5.7 million as a result of our revenue growth and improved collectivity of trade debts. The decrease in current liabilities was mainly due to the decrease in bank borrowings amounted to approximately HK\$38.5 million as a result of the early repayment of bank import loans denominated in JPY with maturity in August 2016 as we anticipated that JPY would appreciate after 31 July 2016, as well as the decrease in purchases of new heavy vehicles in the fourth quarter of FY2016 compared to the same period in FY2015. Our current assets and current liabilities increased as at 31 January 2017 was mainly caused by the increase in prepayments for purchase of heavy equipment of HK\$18.2 million. Our Group has been striving to maintain adequate liquidity and working capital position to cope with the needs for our business, and we believe that the current ratio of our Group has been maintained at a healthy level during the Track Record Period.

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Gearing ratio

Gearing ratio is calculated based on the total debt divided by the total equity as at the respective year end and multiplied by 100%.

Our Group's gearing ratio was approximately 28.6%, 11.7% and 22.9% as at 31 July 2015, 31 July 2016 and 31 January 2017, respectively. Our Group's decrease in gearing ratio from approximately 28.6% as at 31 July 2015 to 11.7% as at 31 July 2016 was the result of the decrease in bank borrowings of HK\$38.5 million. The gearing ratio increased to approximately 22.9% as at 31 January 2017 was mainly due to the increase in bank borrowings of HK\$20.2 million.

Debt to equity ratio

Debt to equity ratio is calculated by the net debt (all borrowings net of bank and cash balances) divided by the total equity as at the respective year end and multiplied by 100%.

Our Group's debt to equity ratio was approximately 13.6% and was in a net cash position as at 31 July 2015 and 31 July 2016, respectively. The Company had net cash position as at 31 July 2016 reflected the strong cash generated from operating activities of HK\$104.5 million as a result of improved liquidity for FY2016.

Our Group's debt to equity ratio was approximately 3.1% as at 31 January 2017. The slight increase in debt to equity ratio was mainly due to the prepayments for purchase of heavy equipment as at 31 January 2017.

Interest coverage

Interest coverage ratio is calculated by profit before interest and tax divided by interest expense for the respective year end.

Our Group's interest coverage was approximately 30.1 times, 23.6 times and 22.3 times as at 31 July 2015, 31 July 2016 and 31 January 2017 respectively. The downward trend was resulted from the decrease in profit after tax while the finance costs remained at approximately HK\$1.3 million for FY2015 and FY2016. The further decrease to approximately 22.3 times as at 31 January 2017 was mainly due to the aforesaid non-recurring listing expenses adversely affecting the profit before tax and interest.

Return on total assets

Return on total assets is calculated by the annualised net profit for the year divided by the total assets and multiplied by 100%.

Our Group's return on total assets was approximately 11.4%, 11.5% and 6.6% as at 31 July 2015, 31 July 2016 and 31 January 2017, respectively. The return on total assets remained stable at 11.4% as at 31 July 2015 and approximately 11.5% as at 31 July 2016.

FINANCIAL INFORMATION

The decrease to approximately 6.6% as at 31 January 2017 was mainly attributable to the non-recurring listing expense, which adversely affected our net profit for the six months ended 31 January 2017.

Return on equity

Return on equity is calculated by the annualised net profit for the year divided by the total equity as at the respective year end and multiplied by 100%.

Our Group's return on equity was approximately 15.7%, 14.4% and 8.6% as at 31 July 2015, 31 July 2016 and 31 January 2017, respectively. The return on equity decreased for FY2016 was due to the percentage decrease in net profit (approximately 24.7%) being higher than the percentage decrease in total equity (approximately 18.1%). The decrease in gross profit margin and the recognition of listing expenses led to the decrease in net profit for FY2016.

The further decrease to approximately 8.6% as at 31 January 2017 was mainly because the non-recurring listing expenses adversely affecting our net profit for the six months ended 31 January 2017.

Net profit margin

Net profit margin is calculated by net profit for the year divided by the revenue for the respective year and multiplied by 100%.

Our Group's net profit margin was approximately 10.4%, 7.3% and 5.7% as at 31 July 2015, 31 July 2016 and 31 January 2017, respectively. The decline in net profit margin was mainly due to the significant decrease in gross profit margin from approximately 17.8% for FY2015 to 16.1% for FY2016 and the decrease in net foreign exchange gain of HK\$7.2 million and the increase in administrative and other operating expenses of HK\$2.2 million. The decrease in gross profit margin was mainly attributable to the lower gross profit margin for lease of heavy equipment in FY2016.

The further decrease to approximately 5.7% as at 31 January 2017 was mainly due to the non-recurring listing expenses adversely affecting our net profit as our gross profit margin remained stable at 17%.

DIVIDENDS

We declared dividends of approximately HK\$8.1 million, HK\$59.5 million and HK\$nil in FY2015, FY2016 and for the six months ended 31 January 2017, respectively. As at the Latest Practicable Date, such declared dividends have been fully distributed. Our directors consider that there is no material adverse impact of the our Group's financial and liquidity position arising out of the dividend payment. Our Group does not have any pre-determined dividend distribution ratio.

The declaration of future dividends will be subject to our Directors' decision and will depend on our financial condition, results of operation, future prospects and other relevant factors that our Directors may consider relevant. Dividends may only be paid out of our Group's distributable profits under the relevant laws. Final dividend for any financial year will in addition be subject to Shareholders' approval.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company had no distributable reserves available for distribution to our Shareholders.

RELATED PARTY TRANSACTIONS

Our Directors have confirmed that there have been no material related party transactions for the years ended 31 July 2015, 31 July 2016 and the six months ended 31 January 2017, respectively. For more details please refer to Note 30 to the Accountants' Report in Appendix I to this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our Group's major financial instruments include trade and other receivables, bank and cash balances, trade and other payables and bank borrowings. The risks associated with these financial instruments include interest rate risk, credit risk, foreign exchange risk and liquidity risk. The policies on how to mitigate these risks are set out below. Our Directors manage and monitor these exposures to ensure appropriate measures implemented on a timely and effective manner.

Interest rate risk

Our Group's exposure to the changes in interest rates is related to variable rate interest bearing bank borrowing as part of the financial resources for our Group's business operations. Our Group currently does not have an interest rate hedging policy. Higher interest rates will increase the borrowing costs of our Group and may adversely affect the profitability of our Group's operations. However, our Directors closely monitor interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Credit risk

Credit risk of our Group is mainly attributable to its trade receivables. At the end of each reporting period, our Group's maximum exposure to credit risk will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, our Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment allowances are recognised for irrecoverable debts. Our Group has significant concentration of credit risk to its trade receivables as our Group's largest customer contributed over 10.3%, 7.5% and 8.5% of the turnover for the years ended 31 July 2015, 2016 and the six months ended 31 January 2017 and shared nearly 24.6%, 4.6% and 13.2% respectively of the trade receivables at end of each reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to the non-recovery of the receivables and there is no recent history of default for the Group's largest customer.

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It has policies in place to ensure that sales were made to customers with an appropriate credit history.

The credit risk on bank and cash balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Foreign exchange risk

In light of the nature of our Group's business, we are mainly exposed to various foreign currencies including JPY, RMB and USD. Nevertheless, our operations are predominately subject to the fluctuations of JPY and RMB since HKD is pegged to USD. As our revenue receipts are mainly denominated in HKD and our payments for purchases are mainly denominated in JPY, USD and RMB. Our Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. Our Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents and banking facilities deemed adequate by management to finance our Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

LISTING EXPENSES

The estimated total listing expenses for the Listing (based on the mid-point of the indicative Offer Price range) amounts to approximately HK\$24.7 million, primarily consisting of fees paid and payable to professional parties and underwriting commission. Among the estimated total listing expenses, approximately HK\$8.8 million is expected to be charged to equity after the Listing. The remaining amount of approximately HK\$15.9 million has been or is expected to be charged to our profit or loss of our Group. During the Track Record Period, we incurred listing expenses of approximately HK\$11.4 million, of which HK\$9.0 million were expensed and accounted for as part of our administrative expenses and HK\$2.4 million were accounted for as prepayments as at 31 January 2017. Expenses related to the listing are non-recurring in nature. Our Group's financial performance and results of operations for the year ending 31 July 2017 will be significantly and adversely affected by the estimated expenses in relation to the Listing.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus for details.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

FINANCIAL INFORMATION

RECENT DEVELOPMENTS

During the six months ended 31 January 2017, we have entered into an exclusive dealership agreement with a heavy equipment manufacturer, of which the manufacturer will supply *Ammann* brand of heavy vehicles and genuine spare parts to the Group. Since the date of the exclusive dealership agreement and up to the Latest Practicable Date, we placed purchase orders for 28 *Ammann* brand heavy vehicles with the manufacturer and we have already sold and delivered 10 and leased out 2 of such heavy vehicles. For the remaining *Ammann* brand heavy vehicles which purchase orders were placed, 6 of such new heavy vehicles are being kept as ready stock for sale, and 10 of such heavy vehicles, which are also to be kept as ready stock for sales, are expected to be delivered to our Group from the manufacturer in batches from July to October 2017. Please refer to the section headed “Business – Suppliers and procurement – Dealership and distributorship” of this prospectus for the major terms of our dealership or distributorship agreements.

Subsequent to the Track Record Period, we have continued to focus on strengthening our market position as earthmoving equipment sales and leasing service provider. Such effort included the introduction of other type of earthmoving equipment in our product offering such as articulated dump truck to increase our product mix, and the expansion of our sales and marketing team to reach out to existing and potential customers. There has been no significant changes to our business model, the general economic conditions and the markets in which we operate.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we received 266 purchase orders of approximately HK\$158.1 million for heavy equipment and entered into 91 leasing agreements with our customers. As at the Latest Practicable Date, the contracted value of our signed leasing agreements to be recognised amounted to approximately HK\$3.6 million, out of which approximately HK\$3.4 million were the remaining contracted value of our ongoing leasing agreements (the leasing period of which had commenced as at the Latest Practicable Date).

Our Directors confirms that there has been no material adverse change in the financial performance and results of operations since the end of the Track Record Period up to the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in the trading and financial position or the prospects of the Group since 31 January 2017, being the date on which the latest audited consolidated financial statements of the Group were made up, and there is no event since 31 January 2017 which would materially affect the information shown in the Accountant’s Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS STRATEGIES AND FUTURE PLANS

Please refer to the sub-section headed “Business — business strategies” of this prospectus for the detailed description of our business strategies and future plans.

USE OF PROCEEDS

Our Directors believe that the listing of the Shares on GEM will be crucial for financing our business strategies and strengthening our position as an earthmoving equipment sales and leasing services provider. Our Group’s capital requirement is intensive given the nature of our industry and the upcoming opportunities which we seek to grasp, including sizeable public infrastructure projects in Hong Kong. To provide services in such projects, large amounts of capital would entail and substantive amounts would be retained for start-up costs such as purchasing heavy equipment for sales and for leasing.

Our Directors estimate that the net proceeds from the Share Offer which we will receive (after deducting the estimated expenses payable by our Group in connection with the Listing) will be approximately HK\$79.6 million based on an Offer Price of HK\$0.36 per Offer Share (being the mid-point of the Offer Price range between HK\$0.28 to HK\$0.44 per share). It is at present intended that the net proceeds will be applied in the following manner:

- (i) approximately HK\$51.7 million, representing approximately 65.0% of the net proceeds will be used for the procurement of heavy equipment, including:
 - approximately 57.5% of the net proceeds will be used to purchase heavy equipment in relation to the expansion of our leasing services and the replacement of older heavy equipment for leasing. We intend to purchase 30 units of heavy vehicles during the year ending 31 July 2018 to satisfy the demands arising from certain construction works in relation to the Tseung Kwan O-Lam Tin Tunnel project and third runway project in Hong Kong. Based on the requests of contractors for our quotations, we estimate that the utilization rate for the existing and such new heavy vehicles for leasing will be 65.7% and 100% respectively;
 - approximately 7.5% of the net proceeds will be used to finance the purchase of ready stock to enhance the range of product offering of our sales service. Taking into the account of growth pattern of our sales service and the estimated demand of the heavy equipment sales market, we intend to purchase seven units of heavy vehicles during the year ending 31 July 2018;

FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately HK\$11.4 million, representing approximately 14.3% of the net proceeds will be used for the enhancement and expansion of our existing facilities. We intend to pay part of the consideration of a site with gross area of approximately 50,000 square feet to accommodate our planned expansion in fleet for our sales and leasing services. We also intend to increase the size of our workshop for maintaining and repairing our equipment. For such purpose, we have identified a number of specific sites located in Yuen Long and the estimated consideration of the sites range from approximately HK\$45.0 million to HK\$50.0 million;
- (iii) approximately HK\$4.2 million, representing approximately 5.3% of the net proceeds will be used for the development of our *TLMC* brand heavy equipment, including:
 - approximately 2.6% of the net proceeds will be used for enhancement and improvement of the heavy equipment as well as for the technical exchange of our staff with our Italy-based manufacturer through onsite visits;
 - approximately 2.7% of the net proceeds will be used for the marketing and promotion of our brand through advertisement and public relations activities;
- (iv) approximately HK\$4.3 million, representing approximately 5.4% of the net proceeds will be used for the recruitment and training of our staff. We intend to recruit three technicians such that our labour force will be in line with our expansion of our sales and leasing services. We also intend to strengthen staff training activities and foster technical exchange of our technicians with our suppliers; and
- (v) approximately HK\$8.0 million, representing approximately 10.0% of the net proceeds will be used for the working capital of our Group.

We intend to use 65.0% of the net proceeds for the procurement of heavy equipment for the following reasons:

- (i) the demand for new heavy equipment driven by the new environmental regulatory regime as discussed in the section headed “Industry overview” to this prospectus is a reason for our Group to allocate resources to purchase new heavy equipment. In particular, pursuant to the Technical Circular (Works) No. 1/2015 issued by the Work Branch of the Development Bureau (“**WBDB**”) on 8 February 2015, a plan has been implemented by the WBDB to progressively phase out the use of four types of NRMMs, namely generators, air compressors, excavators and crawler cranes in all new capital works contracts of public works (including design and build contracts) with an estimated contract value exceeding HK\$200 million (“**NCW Contracts**”) within the following time frame:

FUTURE PLANS AND USE OF PROCEEDS

	Phase I Tenders of NCW Contracts to be invited from 1 June 2015 to 31 May 2017	Phase II Tenders NCW Contracts to be invited from 1 June 2017 to 31 May 2019	Phase III Tenders NCW Contracts to be invited from 1 June 2019 onwards
Generators	No exempted NRMM is allowed		
Air Compressors	No exempted NRMM is allowed		
Excavators	Exempted NRMM shall not exceed 50% of all units on site	Exempted NRMM shall not exceed 20% of all units on site	No exempted NRMM is allowed
Crawler Cranes	Exempted NRMM shall not exceed 50% of all units on site	Exempted NRMM shall not exceed 20% of all units on site	No exempted NRMM is allowed

As no exempted generators and air compressors can be used in such public works, and less exempted excavators and crawler cranes can be used in such public works prior to them being phased out completely, contractors are required to replace their existing exempted NRMMs by approved NRMMs to comply with the requirement. Our Directors are also aware of an increased number of contractors which specified in their tenders that only heavy equipment with QPME Labels will be used for the contracted work even though the QPME system is a voluntary, not mandatory, environmental protection program. Moreover, as the validity of QPME Labels of new equipment (i.e. age less than one year) is up to 6 years from the date of issuance, contractors will be required to either make replacement of equipment or lease equipment to ensure that equipment with QPME Labels are being used.

It follows that there will be a strong demand for sale and leasing of approved NRMMs and equipment with QPME Labels in the foreseeable future. Such demand under the new environmental regulatory regime goes hand in hand with the demand for upcoming projects in Hong Kong and will generate much business opportunities for market participants in heavy equipment industry. Our Directors believe that the Group can grasp such opportunities by purchasing new heavy equipment which are approved NRMMs and equipment with QPME Labels for our sales and our expanding leasing business.

FUTURE PLANS AND USE OF PROCEEDS

- (ii) according to the construction scheme of the land reclamation work of the third runway project in Hong Kong, of which a contractor which had obtained quotation of our leasing services was granted a tender on a joint venture basis, a large amount of earthmoving equipment will be required.

Apart from the third runway project, in the Tseung Kwan O-Lam Tin Tunnel project, a contractor which had obtained the quotation of our sales and/or leasing services was granted a tender for certain construction works and brand new earthmoving equipment is also required for such project.

However, some of the required equipment in these projects are specialised equipment which, by reasons of their function or size, will mainly be suitable for complex, large-scale earthmoving activities including land reclamation work or tunneling operation. As these specialised equipment are not currently available in our leasing fleet, we expect to purchase such additional heavy equipment to satisfy the demand of our customers for such infrastructure projects. We intend to use 57.5% of the net proceeds to purchase 30 heavy vehicles for part of the equipment requested under the quotation of the third runway project or the heavy vehicles for part of the equipment requested under the quotation of Tseung Kwan O-Lam Tin Tunnel project. It is estimated that the utilization rate of these heavy vehicles for leasing will be 100% and the useful lives and payback period of such heavy vehicles are 4.2 years and 2.6 years, respectively. We also expect that at the end of the leasing period of about 3.3 years, most of them will be sold in our sales business as our Directors are of the view that there will be sufficient market demand for such used heavy vehicles in other complex, large-scale infrastructure projects as well as other earthwork operations for non-construction purpose.

In addition, our Directors note that normally the newer the equipment is, the less often it is required for repair and maintenance to avoid downtime. Our Directors consider that the schedule of such infrastructure projects are tight and frequent downtime of heavy equipment would delay the progress. Therefore, the ability to supply new equipment will increase our competitiveness in securing orders for heavy equipment for the such infrastructure projects.

In particular, we intend to use 57.5% of the net proceeds for the expansion of our leasing business for the following reasons:

- (i) During the Track Record Period, our Group largely focused on the sales business which accounted for approximately 90% of the total revenue of our Group. Further, ranking first in the earthmoving equipment sales market in Hong Kong in 2015 and 2016, our Group took up approximately 34% and 35% of the market share in 2015 and 2016, respectively, whilst our Group ranked fifth and took up only 3% of the market share in the earthmoving equipment leasing market in Hong Kong in 2015. While the Group will keep up with the sales business, our Directors consider that since the leased heavy equipment market in Hong Kong is expected to grow at 5% in the next four years and account for approximately 59% in the total revenue of the heavy equipment market in Hong Kong, it is an opportunity for the Group to further expand the leasing business and to increase its market share in the leasing market of heavy equipment.

FUTURE PLANS AND USE OF PROCEEDS

For details of the market share of our Group and the reasons for the expected increase in the demand of leased heavy equipment, please refer to the section headed “Industry overview” of this prospectus.

- (ii) The Group recorded the highest gross profit margin in the leasing business among its three segments of our Group’s business during the Track Record Period. Given the performance of the Group in the leasing business, the Directors considers that, by enhancing and expanding the leasing business, the Group can achieve higher profitability, which is beneficial to the Group’s overall business performance in the long run.

For details of Group’s profit margin during the Track Record Period, please refer to the section headed “Financial information – Description of selected items of consolidated statements of profit or loss and other comprehensive income – Gross profit and gross profit margin” of this prospectus.

- (iii) As disclosed in the section headed “Industry overview” of this prospectus, more smaller-scale public projects with a relatively short construction period are expected to commence in Hong Kong in the next few years. Our Directors are of the view that contractors of such projects may opt for leasing of heavy equipment particularly of heavy vehicles, rather than the purchase of heavy equipment for the reasons set out in the section headed “Industry overview – Market overview of heavy equipment service industry in Hong Kong – Earthmoving equipment market in Hong Kong”, particularly given that less costs would be incurred for leased equipment in case of projects with a shorter construction period. For instance, we have leased 40 units of heavy vehicles to our customers for the six months ended 31 January 2017, as compared to 32 units for the corresponding period in 2016, while the average leasing period of 57 days for the leasing agreements of heavy vehicles entered into during the six months ended 31 January 2017 is notably shorter as compared to that of 125 days and 86 days for the years ended 31 July 2015 and 2016. Therefore, notwithstanding a slight decrease in revenue is recorded for the leasing business of our Group for the six months ended 31 January 2017 as compared to the corresponding period in 2016 as a result of an overall shorter leasing period, such recent small surge in the number of leased heavy vehicles falls in line with the aforementioned trend on smaller-scale infrastructure projects with relatively shorter project cycle, showing that more contractors are opting for heavy vehicles for leased in these projects. Therefore, our Directors are of the view that such growing demand in the long run will benefit our leasing business and additional heavy equipment will be required to satisfy the demand from our customers for such infrastructure projects.

Subsequent to 31 January 2017 and up to the Latest Practicable Date, we further entered into 91 leasing agreements with our customers. As at the Latest Practicable Date, the contracted value of our signed leasing agreements to be recognised amounted to approximately HK\$3.6 million, out of which approximately HK\$3.4 million were the remaining contracted value of our ongoing leasing agreements (the leasing period of which had commenced as at the relevant date).

FUTURE PLANS AND USE OF PROCEEDS

- (iv) Further, our Directors notice that there are overlapping customers, such as contractors and subcontractors in the construction and civil engineering industries, in the leasing and sales market of heavy equipment. In view of the increasing demand for leased equipment, our Directors consider that we would be able to leverage on our existing customers base in our sales business for our leasing business because our customers in our sales business may opt for leased heavy equipment for the reasons set out in the section headed “Industry overview – Market overview of heavy equipment service industry in Hong Kong – Earthmoving equipment market in Hong Kong”. During the six months ended 31 January 2017, we entered into a leasing framework agreement with one of our overlapping customers for the leasing of various heavy equipment. Under the framework leasing agreement, during the six months ended 31 January 2017 and up to the Latest Practicable Date, we entered into leasing agreements with such customer involving the leasing of 25 units of earthmoving equipment and 13 units of earthmoving attachment for periods from approximately one week to six weeks. Apart from the above, we also entered into leasing agreements for the lease of 63 units of earthmoving equipment and 14 units of earthmoving attachments to 27 other overlapping customers during the six months ended 31 January 2017 and up to the Latest Practicable Date. Given our long-established relationship with our customers in our sales business, our Directors believe that the expansion of our leasing fleet can allow us to capture maximum business opportunities when these customers require the prompt provision of our readily available leased equipment.

In light of the expected market demand, which is also reflected by the demand from our customers, we intend to expand our leasing business in order to capture the market and customers’ demand for leased equipment.

For illustrative purpose, the following table sets out the use of proceeds for the period from the Latest Practicable Date to 31 July 2019:

	From the Latest Practicable Date to 31 July 2017	Six months ending		Total	Six months ending		Total	Percentage of the total net proceeds (%)
		31 January 2018	31 July 2018		31 January 2019	31 July 2019		
Purchase of heavy vehicles for our leasing fleet	HK\$0.0 million	HK\$18.1 million	HK\$27.7 million	HK\$45.8 million	HK\$0.0 million	HK\$0.0 million	HK\$0.0 million	57.5
Purchase of heavy vehicles as ready stock for sales	HK\$0.0 million	HK\$5.9 million	HK\$0.0 million	HK\$5.9 million	HK\$0.0 million	HK\$0.0 million	HK\$0.0 million	7.5
Securing of a site for business expansion	HK\$0.0 million	HK\$0.0 million	HK\$11.4 million	HK\$11.4 million	HK\$0.0 million	HK\$0.0 million	HK\$0.0 million	14.3
Development of our <i>TLMC</i> brand heavy equipment	HK\$0.0 million	HK\$0.6 million	HK\$0.6 million	HK\$1.2 million	HK\$1.2 million	HK\$1.8 million	HK\$3.0 million	5.3
Recruitment and training of staff	HK\$0.0 million	HK\$0.6 million	HK\$0.6 million	HK\$1.2 million	HK\$1.2 million	HK\$1.8 million	HK\$3.1 million	5.4

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is set at the high end or low end of the indicative Offer Price range, being HK\$0.44 and HK\$0.28 per Share respectively, our Directors intend to adjust the intended use of the net proceeds for the above on a pro-rata basis.

Should our Directors decide to re-allocate the intended use of the net proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of net proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes of if we are unable to effect any part of our future plans as intended, we intend to hold such funds in short-term deposits with licenced banks and/or authorised financial institutions in Hong Kong for so long as it is in our best interests.

CORNERSTONE INVESTOR

THE CORNERSTONE INVESTMENT

We have entered into a cornerstone investor placing agreement on 12 July 2017 (the “**Cornerstone Investment Agreement**”) with Geoharbour Holding Co., Ltd. (the “**Cornerstone Investor**”), pursuant to which the Cornerstone Investor has agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 10,000 Offer Shares) which may be purchased with an aggregate amount of USD1.5 million (approximately HK\$11.7 million) (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) (the “**Cornerstone Placing**”) at the Offer Price.

The table below sets out the total number of Shares that the Cornerstone Investor would subscribe and the respective approximate percentages of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued upon exercise of any option to be granted under the Share Option Scheme):

	Total number of Shares that the Cornerstone Investor would subscribe (rounded down to the nearest whole board lot of 10,000 Offer Shares)	Approximate percentage of the Placing Shares	Approximate percentage of the Offer Shares	Approximate percentages of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue
Assuming an Offer Price of HK\$0.28 (being the low-end of the Offer Price range)	41,790,000	18.6%	16.7%	4.2%
Assuming an Offer Price of HK\$0.36 (being the mid-point of the Offer Price range)	32,500,000	14.4%	13.0%	3.3%
Assuming an Offer Price of HK\$0.44 (being the high-end of the Offer Price range)	26,590,000	11.8%	10.6%	2.7%

The Cornerstone Placing will form part of the Placing and the Cornerstone Investor will not subscribe for any Offer Share under the Share Offer (other than and pursuant to the Cornerstone Investment Agreement). The Offer Shares to be subscribed for by the Cornerstone Investor will rank pari passu in all respects with the other fully paid Offer Shares in issue upon completion of the Share Offer and will be counted towards the public float of our Company. Immediately following the completion of the Share Offer, the Cornerstone Investor will not have any board representation in our Company, nor will it become a substantial shareholder of our Company (as defined under the GEM Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the Placing and the Public Offer in the event of over-subscription under the Public Offer as described in the section headed “Structure and conditions of the Share Offer – reallocation” of this prospectus.

CORNERSTONE INVESTOR

INFORMATION ON THE CORNERSTONE INVESTOR

The Cornerstone Investor, Geoharbour Holding Co., Ltd, is an international business company incorporated in Seychelles, which is wholly-owned by Mr. Xu Wang. Mr. Xu Wang is the president of Shanghai Geoharbour Construction Group Co., Ltd.* (上海港灣基礎建設(集團)有限公司) (“**Geoharbour Group**”). Based on the information provided by the Cornerstone Investor, Geoharbour Group specialises in geotechnical investigation, design, research, construction and consultancy and established business presence not only in the PRC but also in some countries taking part in the “One Belt, One Road” initiated by the PRC, such as Indonesia, Malaysia, Vietnam and United Arab Emirates through provision of services in large-scale infrastructure projects located in these countries including dredging, road and bridge construction, foundation engineering, jetty construction and airport runway construction. Geoharbour Group is the owner of various patents registered in the PRC and with the World Intellectual Property Organization.

To the best knowledge of our Company, the Cornerstone Investor and its ultimate beneficial owner are Independent Third Parties and not connected persons, existing shareholder or close associates of the Company.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to the following conditions precedent:

- (1) the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having been entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties);
- (2) the GEM Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares in issue and to be issued and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (3) the Offer Price having been agreed upon between the Company and the Sole Bookrunner and Sole Lead Manager (for itself and on behalf of the Underwriters);
- (4) the respective representation and warranties of the Cornerstone Investor and the Company under the Cornerstone Investment Agreement remain accurate and true and not misleading and there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor; and

CORNERSTONE INVESTOR

- (5) no law having been enacted or promulgated by any governmental, regulatory or administrative commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, judicial body, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, which prohibit the consummation of the subscription and no order or injunction from a court of competent jurisdiction in effect precluding or prohibiting consummation of the subscription.

RESTRICTIONS ON THE CORNERSTONE INVESTOR'S INVESTMENT

The Cornerstone Investor has undertaken to the Company, the Sole Bookrunner and the Sole Lead Manager that, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the Cornerstone Investment Agreement) any of the Shares subscribed for by it pursuant to the Cornerstone Investment Agreement, other than transfers to any wholly-owned subsidiary of the Cornerstone Investor provided that such wholly-owned subsidiary undertakes in writing to, and the Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will, abide by the restrictions on disposals imposed on the Cornerstone Investor.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Sole Bookrunner and Sole Lead Manager

Southwest Securities (HK) Brokerage Limited

Co-Managers

Aristo Securities Limited

Founder Securities (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering initially 25,000,000 Public Offer Shares (subject to reallocation) for subscription on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Public Offer (including any additional Shares) as mentioned in this prospectus and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Public Offer Shares now being offered but which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

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Grounds for Termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination if, at any time before 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into force:
 - (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal, regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the United States, any member of the European Union, Singapore, Japan, the United Kingdom, the Cayman Islands, the BVI or any other jurisdiction relevant to any member of our Group (collectively the “**Relevant Jurisdictions**”); or
 - (ii) any new laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings of any governmental authority (the “**Law**”) or change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application of the Law by any court or other competent authority in any of the Relevant Jurisdictions; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemics, pandemics, outbreak of diseases, breakdown in computer or communication or telecommunication network or system, civil commotion, riot, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or
 - (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency, declaration of a national or international emergency or war, or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (v) (1) any moratorium, suspension of, or restriction or limitation on, trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange, or (2) a general moratorium on commercial banking activities in New York (imposed at Federal or New York State level or other competent authority), London, any member of the European Union, Japan, Hong Kong or China, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or by any member of the European Union on any of the Relevant Jurisdictions; or
- (vii) any material change or prospective material change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions (including without limitation a devaluation of the Hong Kong dollar against any foreign currencies) or the implementation of any exchange control in any of the Relevant Jurisdictions; or
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (ix) the commencement by any state, governmental, judicial, law enforcement agency, regulatory or political body or organisation (collectively the “**Organisations**”) of any action, proceedings, investigation or enquiry, or any sanction, penalty or reprimand imposed or issued by any of the Organisations, against any member of our Group or any Director or an announcement by any of the Organisations that it intends to take any such action; or
- (x) any litigation or claim being threatened or instigated against any member of our Group or any Director; or
- (xi) a Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (xii) the chairman or chief executive officer of our Company vacating his office; or
- (xiii) a contravention by any member of our Group of the Companies Ordinance, the GEM Listing Rules or any applicable Law; or
- (xiv) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares under the terms of the Share Offer; or

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- (xv) non-compliance of this prospectus (or any other documents used in connection with the subscription and purchase of the Public Offer Shares) or any aspect of the Share Offer with the Companies Ordinance, the GEM Listing Rules or any other applicable Law; or
 - (xvi) other than with the approval of the Sole Bookrunner, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or to any other documents used in connection with the subscription or sale of the Offer Shares) under the Companies Ordinance, the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
 - (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable before its stated maturity; or
 - (xviii) any material loss or material damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
 - (xix) a petition is presented for the winding up or liquidation of any member of our Group or bankruptcy of any Director, or any member of our Group or any Director makes any composition or arrangement with its or his creditors or enters into a scheme of arrangement, or any resolution is passed for the winding up of any member of our Group, or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or any Director or any analogous matter occurs in respect of any member of our Group or any Director,
- and which, in any such case and in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters),
- (1) is or will or may or is likely to be materially adverse to, or materially and prejudicially affect, the business, management, general affairs, financial or trading position or prospects of our Group as a whole; or
 - (2) has or will have or may have or is likely to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Share Offer; or
 - (3) makes or will or may make or is likely to make it impracticable, inadvisable or inexpedient to proceed with the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

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- (4) makes or will or may make or is likely to make it impracticable, inadvisable or inexpedient for any part of the Public Offer Underwriting Agreement (including underwriting), the Public Offer (including processing of applications and/or payments pursuant to the Public Offer or pursuant to the underwriting thereof) to be performed or implemented as envisaged; or
- (b) there has come to the notice of the Sole Bookrunner or any of the Public Offer Underwriters after the date of the Public Offer Underwriting Agreement:
 - (i) any statement or information, or any matter or circumstance that renders or could render any statement or information, contained in this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendment to any of the documents) (collectively, the “**Offer Documents**”) was or has or may become, untrue, incorrect or misleading in any respect or that any estimate, forecast, expression of opinion, intention or expectation expressed in any Offer Document is not or may not be, in the sole and absolute opinion of the Sole Bookrunner, fair and honest and based on reasonable assumptions; or
 - (ii) any matter or circumstance has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute an omission from any of the Offer Documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendment thereto); or
 - (iii) any breach of, or any event rendering untrue, incorrect or misleading in any respect, any of the warranties or confirmations given by our Company, the Executive Directors in the Public Offer Underwriting Agreement and the Placing Underwriting Agreement; or
 - (iv) any breach of any of the obligations, warranties or undertakings of our Company, our Controlling Shareholders or our executive Directors under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement; or
 - (v) any event, act or omission which gives or may give or is likely to give rise to any liability of any of our Controlling Shareholders, executive Directors and our Company pursuant to the indemnity provisions under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement; or

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- (vi) any information, matter or event which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters);
 - (1) is inconsistent in any respect with any information contained in Form A in Appendix 6 to the GEM Listing Rules given by our Directors; or
 - (2) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group; or
- (vii) any material adverse change or development or prospective material adverse change or development in the conditions, business, general affairs, management, prospects, assets, liabilities, shareholders' equity, profits, losses, operating results, the financial or trading position or performance of any member of our Group; or
- (viii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (ix) our Company withdraws any of the Offer Documents (and any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or the Public Offer; or
- (x) any person (other than the Sole Bookrunner and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents.

Undertakings

Undertakings to the Stock Exchange under the GEM Listing Rules

(A) Undertaking by us

Under Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Capitalisation Issue and the Share Offer (including the exercise of any options which may be granted under the Share Option Scheme) or for the circumstances provided under Rule 17.29 of the GEM Listing Rules.

UNDERWRITING

(B) Undertaking by our Controlling Shareholders

In accordance with Rule 13.16A(1)(a) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer, he/she/it will not: (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owners; or (b) in the period of six months from the date on which the period referred to in paragraph (A) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares referred to in paragraph (A) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/she/it ceases to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (a) in the event that he/she/it pledges or charges any direct or indirect interest in our Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to rule 13.18(4) of the GEM Listing Rules, inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in our Shares under sub-paragraph (b) above, inform our Company immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 17.43 of the GEM Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

Undertakings under the Public Offer Underwriting Agreement

(A) Undertaking by us

We have undertaken to each of the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriters that at any time from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”), our Company will not (except for the issue of Shares under the Capitalisation Issue and the Share Offer) without the prior written consent of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) (unless in compliance with the requirements set out in the GEM Listing Rules):

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- (a) offer, accept subscription for, pledge, charge, mortgage, allot, issue, sell, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital or securities of our Company or any interest in our securities or any voting right or any other right attaching thereto (including but not limited any securities convertible into, exercisable or exchangeable for, or that represent the right to receive such share capital or securities or any interest in our share or debt capital); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share or debt capital or securities or any interest in our securities or any voting right or any other right attaching thereto; or
- (c) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) publicly announce any intention to enter into any transaction described in (a), (b) or (c) above,

whether any of the foregoing transactions described in (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise. We further agree that in the event of an issue or a disposal of any Shares, securities or any interest of our securities or any voting right or any other right attaching thereto after the First Six-month Period, we will take all reasonable steps to ensure that such an issue or a disposal will not create a disorderly or false market for our Shares.

(B) Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriters that, except for the issue of Shares pursuant to the Share Offer and the Capitalisation Issue, our Controlling Shareholders will not, without the prior written consent of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), at any time:

- (i) during the First Six-month Period:
 - (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or grant, contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interest or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, or cause us to repurchase, any of our share or debt capital or our other securities or any interest in our share or debt capital or any voting right or any other right attaching thereto (including but not limited to any securities that are convertible into or exercisable or exchangeable for,

UNDERWRITING

or that represent the right to receive, any of our share or debt capital or our other securities or any interest in our share or debt capital whether now owned or subsequently acquired, owned directly by our Controlling Shareholders (including holding as a custodian) or with respect to which our Controlling Shareholders has beneficial ownership (collectively, the “**Lock-up Shares**”). The foregoing restriction is expressly agreed to preclude our Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than our Controlling Shareholders. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of our share or debt capital or our other securities or any interest in our share or debt capital or any voting right or any other right attaching thereto; or
- (c) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in (i)(a) or (i)(b) above; or
- (d) publicly announce any intention to enter into, any transaction described in (i)(a), (i)(b) or (i)(c) above,

whether any transaction described in (i)(a), (i)(b) or (i)(c) above is to be settled by delivery of Shares or such other securities in cash or otherwise; and

- (ii) during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”) enter into any of the transactions in paragraphs (i)(a), (i)(b) or (i)(c) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, our Controlling Shareholders will cease to be our Controlling Shareholders. Each of our Controlling Shareholders further agrees that in the event of a disposal of any Shares, securities or any interest of our securities or any voting right or any other right attaching thereto after the Second Six-month Period, our Controlling Shareholders will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares.

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Each of our Controlling Shareholder has undertaken to each of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriter(s) that at any time during the period from the commencement of the First Six-month Period to the date on which the Second Six-month Period expires, he/she/it shall:

- (a) if he/she/it pledges or charges or otherwise creates encumbrances over any Shares or securities of our Company or interests therein in respect of which he/she/it is the beneficial owner, whether directly or indirectly, immediately inform each of our Company, the Sole Lead Manager, the Sole Bookrunner and the Public Offer Underwriter(s) in writing of any such pledges or charges or encumbrances and the number of Shares or securities of our Company so pledged or charged or encumbered; and
- (b) if he/she/it receives any indication, either verbal or written, from any pledgee or chargee or encumbrance or such third party that any of the pledged, charged, encumbered Shares or other securities of our Company will be disposed of, immediately inform each of our Company, the Sole Lead Manager, the Sole Bookrunner and the Public Offer Underwriter(s) in writing of any such indication.

Indemnity

We and our Controlling Shareholders have agreed to indemnify the Public Offer Underwriter(s) for certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us under the Public Offer Underwriting Agreement.

Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among other parties, the Placing Underwriter(s) on or before the Price Determination Date, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. It is expected that under the Placing Underwriting Agreement, the Placing Underwriter(s) will severally agree to subscribe and/or purchase or procure subscribers and/or purchasers for the Placing Shares being offered pursuant to the Placing.

Potential investors should note that if the Placing Underwriting Agreement is not entered into on or before the Price Determination Date or is terminated, the Share Offer will not proceed.

Commissions and expenses

The Underwriters will receive a commission of 3.0% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Share Offer, out of which they will pay any sub-underwriting commissions.

The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued under the Share Offer. Our Company may also in its sole discretion pay the Sole Bookrunner an additional incentive fee of up to 0.5% of the Offer Price multiplied by the total number of the Public Offer Shares.

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The aggregate commissions (inclusive of any discretionary incentive fees), together with listing fees, SFC transaction levy and Stock Exchange trading fee in respect of the new Shares offered by us, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to be approximately HK\$24.7 million (assuming an Offer Price of HK\$0.36, which is the midpoint of the indicative Offer Price range) in total and are payable by us.

Underwriters' interest in our Group

Other than disclosed in the preceding paragraph and the obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interests in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Sole Sponsor independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STRUCTURE OF THE SHARE OFFER

The Share Offer comprises:

- (i) the Public Offer of an aggregate of 25,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong; and
- (ii) the Placing of 225,000,000 Placing Shares (subject to reallocation as mentioned below).

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both. The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue. The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares pursuant to the Share Offer will be conditional on, inter alia:

- the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the Offer Price having been duly determined; and
- the obligations of the Underwriter(s) under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Bookrunner, on behalf of the Underwriter(s)) and not having been terminated in accordance with the terms of the Underwriting Agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Share Offer to be published by us on the Stock Exchange's website at www.hkexnews.hk and on our Company's website at www.tlmc-hk.com on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to apply for Public Offer Shares". In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on 26 July 2017 but will only become valid certificates of title on the Listing Date 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 Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 25,000,000 Public Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account Shares which may be issued upon exercise of options as may be granted under the Share Option Scheme. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section.

Allocation

Allocation of the Offer Shares to investors under the Share Offer will be based solely on the level of valid applications received under the Share Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. Allocation of the 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 the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The final Offer Price, the level of indication of interest in the Placing, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Wednesday, 26 July 2017 through a variety of channels as described in paragraph headed “How to apply for Public Offer Shares – 11. Publication of results”.

For allocation purposes only, the 25,000,000 Shares initially being offered for subscription under the Public Offer will be divided equally into two pools: Pool A comprising 12,500,000 Public Offer Shares and Pool B comprising 12,500,000 Public Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for the Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B, as well as in the same pool, likely to receive different allocation ratios. If the Public Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of the Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of the Public Offer Shares to investors under the Public Offer, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Public Offer. The basis of allocation in each pool may vary, depending on the number of the Public Offer Shares validly applied for by each applicant. Multiple or suspected multiple applications and any application for more than 50% of the Public Offer Shares initially comprised in the Share Offer (that is 12,500,000 Public Offer Shares) are liable to be rejected.

Reallocation

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 75,000,000 Shares, 100,000,000 Shares and 125,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), of the total number of Shares initially available under the Share Offer. In such cases, the number of Shares allocated in the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner deems appropriate.

If the Public Offer Shares are not fully subscribed, the Sole Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Bookrunner deems appropriate. In addition, the Sole Bookrunner may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

STRUCTURE AND CONDITIONS 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 Sole Bookrunner.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 225,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue, but without taking into account Shares which may be upon exercise of options granted under the Share Option Scheme.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriters. The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process described in the paragraph headed "Pricing" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Bookrunner may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Bookrunner so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

PRICING

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 21 July 2017 and, in any event, not later than Wednesday, 26 July 2017. The Offer Price will be not more than HK\$0.44 per Offer Share and is currently expected not to be less than HK\$0.28 per Offer Share, unless otherwise announced, not later than the morning of the last day for

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

lodging applications under the Share Offer as further 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. If, for any reason, the Offer Price is not agreed on or before 8:00 a.m., Wednesday, 26 July 2017 between the Sole Bookrunner (on behalf of the Underwriters) and us, the Share Offer will not proceed and will lapse.

Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.44 per Public Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than the maximum Offer Price, we will refund the respective difference (including brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to apply for Public Offer Shares”.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Bookrunner (on behalf of the Underwriters) consider it appropriate, the number of the Public Offer Shares being offered under the Public Offer and/or the indicative Offer Price range 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 such reduction, and in any event not later than the morning on Thursday, 20 July 2017, being the last day for lodging applications under the Public Offer, cause to be published on the Stock Exchange’s website at www.hkexnews.hk and on our Company’s website at www.tlmc-hk.com notice of the reduction in the number of the Public Offer Shares being offered under the Share Offer and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in the section headed “Financial information” and any other financial information which may change as a result of such reduction.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of the Public Offer Shares being offered under the Public Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

If the number of the Public Offer Shares being offered under the Public Offer and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application may or may not (depending on the information contained in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any notice being published of a reduction in the number of the Public Offer Shares being offered under the Public Offer stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Public Offer, the Offer Price, once agreed upon, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

NO OVERSEAS REGISTRATION

The documents issued and to be issued in connection with the Share Offer will not be registered under applicable securities legislation of any jurisdiction other than Hong Kong.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of and permission to deal in our Shares in issue and to be issued as mentioned in this prospectus. Subject to the granting of the listing of, and permission to deal in, our Shares on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on GEM or such other date as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangement has been made for our Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 27 July 2017, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 27 July 2017.

The Shares will be traded in board lots of 10,000 Shares each.

UNDERWRITING ARRANGEMENTS

The Share Offer is fully underwritten by the Underwriters under the terms of the Underwriting Agreements, subject to agreement on the Offer Price between the Sole Bookrunner (on behalf of the Underwriters) and us on the Price Determination Date.

The terms of the Underwriting Agreements are summarised in “Underwriting”.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Bookrunner may accept or reject it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Public Offer Shares.

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 its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an 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 Placing Shares 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.

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 Monday, 17 July 2017 till 12:00 noon on Thursday, 20 July 2017 from:

- (i) any of the following addresses of the Public Offer Underwriter(s):

Southwest Securities (HK) Brokerage Limited at 40/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong

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

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

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) any of the following branches of the receiving bank:

Standard Chartered Bank (Hong Kong) Limited

District	Branch	Address
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F, Aberdeen Centre Site 5, No. 6-12 Nam Ning Street, Aberdeen
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Mei Foo Manhattan Branch	Shop Nos. 07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
New Territories	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 17 July 2017 till 12:00 noon on Thursday, 20 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 and marked payable to "**HORSFORD NOMINEES LIMITED – TAK LEE MACHINERY 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:

Monday, 17 July 2017	– 9:00 a.m. to 5:00 p.m.
Tuesday, 18 July 2017	– 9:00 a.m. to 5:00 p.m.
Wednesday, 19 July 2017	– 9:00 a.m. to 5:00 p.m.
Thursday, 20 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, 20 July 2017, the last application day or such later time as described in paragraph headed "10. Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Sole Bookrunner (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any 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 (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, 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 Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Sole Sponsor, our Hong Kong Branch Share Registrar, receiving banks, the Sole Bookrunner, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (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) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the 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 have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Sponsor, the Sole Bookrunner and the Underwriters, their respective directors, officers or representatives or any other person or party involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted 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 through the **HK eIPO White Form Service Provider** by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (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 or through the **HK eIPO White Form Service Provider**; 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website at www.hkeipo.hk, 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 Monday, 17 July 2017 until 11:30 a.m. on Thursday, 20 July 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon Thursday, 20 July 2017 or such later time under the paragraph headed “10. Effect of bad weather on the opening of the applications lists” in this section.

No Multiple Applications

If you apply by means of the **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** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR PUBLIC OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 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 this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the 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 Sole Bookrunner and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- 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;
- agree to accept the Public Offer Shares applied for or any lesser number allocated;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Directors, the Sole Bookrunner and the Underwriters, their respective directors, officers or representatives or any other person or party involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Bookrunner, 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 banks, the Sole Bookrunner, the Underwriters and/or their respective advisers and agents;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- 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 our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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:

Monday, 17 July 2017	– 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 18 July 2017	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 19 July 2017	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 20 July 2017	– 8:00 a.m. to 12:00 noon⁽¹⁾

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 Monday, 17 July 2017 until 12:00 noon on Thursday, 20 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, 20 July 2017, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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 banks, the Sole Bookrunner, 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 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 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, the Directors, the Sole Bookrunner, the Sole Sponsor, the Sole Lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS 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, 20 July 2017 or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the applications lists” in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) 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.

“**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 TO PAY FOR 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 instruction** 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 and conditions of the Share Offer – Pricing”.

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. to 12:00 noon on Thursday, 20 July 2017. Instead they will open between 11:45 a.m. to 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. to 12:00 noon.

If the application lists do not open and close on Thursday, 20 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 the section headed “Expected Timetable”, an announcement will be made in such event.

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 Wednesday, 26 July 2017 on our Company’s website at www.tlmc-hk.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 our Company’s website at www.tlmc-hk.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 26 July 2017;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 8:00 a.m. on Wednesday, 26 July 2017 to 12:00 midnight Tuesday, 1 August 2017;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 26 July 2017 to Monday, 31 July 2017 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 26 July 2017 to Friday, 28 July 2017 at all the designated branches of receiving bank.

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 and Conditions of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC 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 the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner, 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 Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares;
- 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 Sole Bookrunner believe(s) that by accepting your application, it or they would violate applicable securities or other laws, regulations or rules; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

HOW TO APPLY FOR PUBLIC OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.44 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and 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 Wednesday, 26 July 2017.

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 **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 our Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Forms, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong 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 around Wednesday, 26 July 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a **WHITE** Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from 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 Wednesday, 26 July 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 26 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 for collection of refund cheque(s). 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 Wednesday, 26 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 Wednesday, 26 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 the paragraph headed "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 Wednesday, 26 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 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 Wednesday, 26 July 2017, or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 26 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 despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of 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.

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 Wednesday, 26 July 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed “11. Publication of results” above on Wednesday, 26 July 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 26 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 Wednesday, 26 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 of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 26 July 2017. No interest will be paid thereon.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the 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 set out on pages I-1 to I-61, received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

17 July 2017

The Board of Directors
Tak Lee Machinery Holdings Limited
Asian Capital (Corporate Finance) Limited

Dear Sirs,

INTRODUCTION

We report on the historical financial information of Tak Lee Machinery Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-61, which comprises the statements of financial position of the Company as at 31 July 2016 and 31 January 2017 and the consolidated statements of financial position of the Group as at 31 July 2015 and 2016 and 31 January 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the two years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-61 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 17 July 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.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 July 2016 and 31 January 2017 and the Group's financial position as at 31 July 2015 and 2016 and 31 January 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Group which comprises statements of consolidated profit or loss, comprehensive income, changes in equity and cash flows for the six months ended 31 January 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by

the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES
ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG
LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS)
ORDINANCE**

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

RSM Hong Kong
Certified Public Accountants
Hong Kong

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms as integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HKD") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

APPENDIX I
**ACCOUNTANTS' REPORT ON
HISTORICAL FINANCIAL INFORMATION**
A. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 July		Six months ended 31 January	
		2015	2016	2016	2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>	
Revenue	7	301,081	320,490	148,756	130,766
Cost of sales	8	(247,441)	(268,815)	(123,229)	(108,601)
Gross profit		53,640	51,675	25,527	22,165
Other income and net gains	7	7,983	3,292	1,336	568
Administrative and other operating expenses		(22,644)	(24,871)	(10,102)	(12,401)
Profit from operations		38,979	30,096	16,761	10,332
Finance costs	9	(1,297)	(1,277)	(703)	(463)
Profit before tax		37,682	28,819	16,058	9,869
Income tax expense	10	(6,470)	(5,303)	(2,903)	(2,458)
Profit and total comprehensive income for the year/period attributable to owners of the Company	11	<u>31,212</u>	<u>23,516</u>	<u>13,155</u>	<u>7,411</u>
Earnings per share for profit attributable to owners of the Company					
– Basic and diluted	15	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at		
		31 July	2016	31 January
		2015	2016	2017
	Note	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	16	16,044	12,957	17,605
Deposits paid for non-current assets		624	–	–
Deferred tax assets	23	825	–	–
		<u>17,493</u>	<u>12,957</u>	<u>17,605</u>
Current assets				
Inventories	17	120,282	108,917	99,714
Trade receivables	18	75,097	41,338	46,881
Prepayments, deposits and other receivables	19	32,217	6,053	24,292
Amount due from ultimate parent		–	– ⁽ⁱ⁾	– ⁽ⁱ⁾
Bank and cash balances	20	29,752	35,470	33,731
		<u>257,348</u>	<u>191,778</u>	<u>204,618</u>
Current liabilities				
Trade payables	21	2,397	5,140	2,285
Other payables and accruals	21	4,169	1,700	1,691
Deposits receipt in advance	21	5,088	4,202	4,723
Finance lease payables	22	–	346	351
Current tax liabilities		5,225	10,242	1,737
Deferred tax liabilities	23	2,403	1,680	2,591
Bank borrowings	24	56,807	18,286	38,472
		<u>76,089</u>	<u>41,596</u>	<u>51,850</u>
Net current assets		<u>181,259</u>	<u>150,182</u>	<u>152,768</u>
Total assets less current liabilities		<u>198,752</u>	<u>163,139</u>	<u>170,373</u>
Non-current liabilities				
Finance lease payables	22	–	386	209
		<u>–</u>	<u>386</u>	<u>209</u>
NET ASSETS		<u><u>198,752</u></u>	<u><u>162,753</u></u>	<u><u>170,164</u></u>
Capital and reserves				
Share capital	25	3,000	3,000	3,000
Retained earnings		<u>195,752</u>	<u>159,753</u>	<u>167,164</u>
TOTAL EQUITY		<u><u>198,752</u></u>	<u><u>162,753</u></u>	<u><u>170,164</u></u>

(i) Represent the amount less than HK\$1,000.

C. STATEMENTS OF FINANCIAL POSITION

		As at	
		31 July 2016	31 January 2017
	Note	HK\$'000	HK\$'000
Non-current assets			
Investment in a subsidiary		— ⁽ⁱ⁾	— ⁽ⁱ⁾
Current assets			
Prepayments	19	1,220	2,443
Amount due from ultimate parent		— ⁽ⁱⁱ⁾	— ⁽ⁱⁱ⁾
		<u>1,220</u>	<u>2,443</u>
Current liabilities			
Due to a subsidiary		<u>1,220</u>	<u>2,687</u>
		<u>1,220</u>	<u>2,687</u>
Net current liabilities		<u>—⁽ⁱ⁾</u>	<u>(244)</u>
NET LIABILITIES		<u><u>—⁽ⁱ⁾</u></u>	<u><u>(244)</u></u>
Capital and reserves			
Share capital	25	— ⁽ⁱⁱ⁾	— ⁽ⁱⁱ⁾
Accumulated losses		<u>—</u>	<u>(244)</u>
TOTAL EQUITY		<u><u>—⁽ⁱ⁾</u></u>	<u><u>(244)</u></u>

⁽ⁱ⁾ Represent the amount less than HK\$1,000.

⁽ⁱⁱ⁾ Represent the share capital and amount due from ultimate parent of HK\$0.01.

D. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 August 2014	3,000	172,657	175,657
Profit and total comprehensive income for the year	–	31,212	31,212
Dividend paid (<i>note 13</i>)	–	(8,117)	(8,117)
At 31 July 2015 and 1 August 2015	3,000	195,752	198,752
Profit and total comprehensive income for the year	–	23,516	23,516
Dividend paid (<i>note 13</i>)	–	(59,515)	(59,515)
At 31 July 2016 and 1 August 2016	3,000	159,753	162,753
Profit and total comprehensive income for the period	–	7,411	7,411
At 31 January 2017	<u>3,000</u>	<u>167,164</u>	<u>170,164</u>
<i>Unaudited</i>			
For the six months ended 31 January 2016			
At 1 August 2015	3,000	195,752	198,752
Profit and total comprehensive income for the period	–	13,155	13,155
Dividend paid (<i>note 13</i>)	–	(59,515)	(59,515)
At 31 January 2016	<u>3,000</u>	<u>149,392</u>	<u>152,392</u>

E. STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
On incorporation	— ⁽ⁱ⁾	—	— ⁽ⁱ⁾
Profit and total comprehensive income for the year	—	—	—
At 31 July 2016 and 1 August 2016	— ⁽ⁱ⁾	—	— ⁽ⁱ⁾
Loss and total comprehensive income for the period	—	(244)	(244)
At 31 January 2017	— ⁽ⁱ⁾	(244)	(244)
<i>Unaudited</i>			
For the six months ended 31 January 2016			
On incorporation	— ⁽ⁱ⁾	—	— ⁽ⁱ⁾
Profit and total comprehensive income for the period	—	—	—
At 31 January 2016	— ⁽ⁱ⁾	—	— ⁽ⁱ⁾

⁽ⁱ⁾ Represent the share capital of HK\$0.01.

F. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 July		Six months ended 31 January	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax	37,682	28,819	16,058	9,869
Adjustments for:				
Allowance/(reversal of allowance) for trade receivables	6,698	(2,424)	(1,000)	–
Allowance/(reversal of allowance) for inventories	4,998	(4,998)	(437)	–
Depreciation	3,279	3,397	1,541	1,418
Net (gain)/loss on disposals of property, plant and equipment	(47)	(282)	62	(28)
Interest income	(74)	(8)	(4)	– ⁽ⁱ⁾
Finance costs	1,297	1,277	703	463
Operating profit before working capital changes	53,833	25,781	16,923	11,722
(Increase)/decrease in trade receivables	(7,032)	36,183	26,199	(5,543)
(Increase)/decrease in inventories	(11,238)	18,407	(9,818)	2,731
(Increase)/decrease in prepayments, deposits and other receivables	(10,863)	26,164	7,261	(18,239)
Increase/(decrease) in trade payables	1,494	2,743	3,072	(2,855)
Increase/(decrease) in other payables and accruals	2,674	(2,469)	(2,294)	(9)
Increase/(decrease) in deposits receipt in advance	4,073	(886)	(3,929)	521
Cash generated from/(used in) operations	32,941	105,923	37,414	(11,672)
Hong Kong Profits Tax paid	(1,704)	(184)	(180)	(10,052)
Finance costs paid	(1,297)	(1,277)	(703)	(463)
Net cash generated from/(used in) operating activities	29,940	104,462	36,531	(22,187)
CASH FLOW FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(1,319)	(1,353)	(149)	(6)
Proceeds from disposal of property, plant and equipment	430	945	600	440
Interest received	74	8	4	– ⁽ⁱ⁾
Net cash (used in)/generated from investing activities	(815)	(400)	455	434

APPENDIX I**ACCOUNTANTS' REPORT ON
HISTORICAL FINANCIAL INFORMATION**

	Year ended 31 July		Six months ended 31 January	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>			
CASH FLOW FROM FINANCING ACTIVITIES				
Dividends paid to owners of the Company	(8,117)	(59,515)	(13,412)	–
Repayment of bank loan	(2,400)	(2,400)	(1,200)	(2,400)
Repayment of amount due to a director	(2,151)	–	–	–
Repayment of finance lease payables	–	(308)	(139)	(172)
Import loans raised	200,520	164,797	111,894	67,044
Repayment of import loans	(197,197)	(200,653)	(116,798)	(43,778)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash (used in)/generated from financing activities	(9,345)	(98,079)	(19,655)	20,694
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	489	(265)	22	(680)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	20,269	5,718	17,353	(1,739)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	9,483	29,752	29,752	35,470
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	<u>29,752</u>	<u>35,470</u>	<u>47,105</u>	<u>33,731</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Bank and cash balances	<u>29,752</u>	<u>35,470</u>	<u>47,105</u>	<u>33,731</u>

⁽ⁱ⁾ Represent the amount less than HK\$1,000.

G. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Tak Lee Machinery Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The address of its principal place of business is DD111, Lot No. 117, Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in providing sales of heavy equipment and spare parts, leasing of heavy equipment and provision of maintenance and ancillary services in Hong Kong (the "Listing Business"). Details of the principal activities of its subsidiaries are set out in pages I-12 and I-13 to the Financial Information.

In the opinion of the directors of the Company, as at 31 January 2017, Generous Way, a company incorporated in the BVI, is the immediate and ultimate parent, and Mr. Chow Luen Fat ("Mr. Chow") and Ms. Cheng Ju Wen ("Ms. Cheng") who are directors of the Company, are the ultimate controlling parties (the "Controlling Shareholders") of the Company.

As at the date of this reports, the Company had direct and indirect interests in the following subsidiaries.

Name of subsidiary	Date and place of incorporation/ establishment	Particular of issued share capital	Equity interests attributable to the Group	Principal activities
Directly held by the Company				
TLMC Company Limited ("TLMC")	4 January 2016 British Virgin Islands ("BVI")	United States Dollar ("USD") 1	100%	Investment holding
Indirectly held by the Company				
Tak Lee Machinery Company Limited ("Tak Lee Hong Kong")	5 March 2001 Hong Kong	3,000,000 ordinary shares	100%	Trading of heavy equipment and spare parts, leasing of heavy equipment and provision of maintenance and ancillary services
Econsmart Limited ("Econsmart")	19 September 2001 Hong Kong	2 ordinary shares	100%	Provision of motor vehicles services
Success Sky Corporation Limited ("Success Sky")	7 October 2010 Hong Kong	2 ordinary shares	100%	Provision of maintenance and ancillary services

Except for TLMC which is directly held by the Company, all subsidiaries are indirectly held by the Company.

All the companies now comprising the Group have adopted 31 July as their financial year end date.

The statutory financial statements of Tak Lee Hong Kong, Econsmart and Success Sky for the years ended 31 July 2015 and 2016 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by RSM Hong Kong, certified public accountants registered in Hong Kong, in accordance with HKSA's issued by the HKICPA.

No audited financial statements have been prepared for the Company and TLMC as they are newly incorporated and have not been involved in any significant business transactions except for the Group Reorganisation.

2. BASIS OF PRESENTATION AND PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Basis of presentation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix IV "Statutory and general information" to the Prospectus, the Listing Business was carried out by companies now comprising the Group (collectively the "Operating Companies"). The Operating Companies were collectively controlled by the Controlling Shareholders throughout the Track Record Period.

Pursuant to the Reorganisation, the Operating Companies together with the Listing Business are transferred to and held by the Company through TLMC. 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 and the ultimate owners of the Listing Business remain the same. Accordingly, the consolidated financial information of the companies now comprising the Group is presented using the carrying values of the Listing Business for all periods presented. For the purpose of this report, the Financial Information has been prepared in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the HKICPA.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

There was no adjustment made to the net assets nor the net profit or loss of any companies now comprising the Group in order to achieve consistency of the Group's accounting policies.

Basis of preparation

The Historical Financial Information has been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The Historical Financial Information has been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Track Record Period, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting periods beginning on 1 August 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 August 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's financial statements when they become effective.

List of new and revised HKFRSs in issue but not yet effective

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ³
Amendments to HKAS 7	Disclosure Initiative ²
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹

- ¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- ² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
- ³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
- ⁴ No mandatory effective date yet determined but is available for adoption.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The directors of the Company are in the process of assessing the potential impact on the Financial Information resulting from the adoption of HKFRS 9 and anticipate that the adoption of HKFRS 9 may have impact on the Group's results and financial position as the new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a significant impact on the amounts reported and disclosures made on the consolidated financial statements of the Group in the future.

HKFRS 16 Leases

HKFRS 16 which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all lease with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in option periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 29, total operating lease commitment of the Group in respect of rented premises with terms more than 12 months at inception as at 31 July 2015 and 2016 and 31 January 2017 amounted to approximately HK\$4,088,000, HK\$1,597,000 and HK\$689,000 respectively. The management of the Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

Except for the above, the management of the Group anticipates that the application of other new and amendments to HKFRSs will have no material impact on the Financial Information to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

The Financial Information include the financial statements of the Company and its subsidiaries made up to 31 July. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary and any accumulated foreign currency translation reserve relating to that subsidiary.

Intra-group transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statements of financial position, the investment in a subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in HKD, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Property, plant and equipment

Property, plant and equipment held for use in the supply of goods or services, or for administrative purpose, are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Leasehold improvements	Over the lease term
Plant and machinery	20%
Machinery for lease	24%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20% – 30%

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

The Group, in the course of its ordinary activities, sells its machinery from time to time that it has held for leasing income. Such assets will be transferred to inventories at their carrying amount when they cease to be leased and become held for sale.

(d) Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(e) Inventories

Inventories for machinery, equipment and parts are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in-first-out basis except for machinery and breaker which are determined on a specific identification basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(g) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(h) 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 allowance for impairment.

(i) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out from below.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(l) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of earthmoving machinery, equipment and parts is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenue recognition for rental income from lease of machinery is recognised on a straight-line basis over the term of the relevant lease.

Service income is recognised when the service is rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefit

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(r) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(s) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(u) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Financial Information when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amounts of property, plant and equipment as at 31 July 2015 and 2016 and 31 January 2017 was approximately HK\$16,044,000, HK\$12,957,000 and HK\$17,605,000 respectively.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 July 2015 and 2016 and 31 January 2017, accumulated impairment loss for bad and doubtful debts amounted to approximately HK\$6,698,000, HK\$4,274,000 and HK\$4,274,000 respectively.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

As at 31 July 2015 and 2016 and 31 January 2017, allowance for inventories amounted to HK\$4,998,000, nil and nil respectively.

(d) Deferred tax assets

Deferred tax assets are recognised in relating to allowance for inventories to the extent that they are deductible temporary differences. Recognition of deferred tax assets primarily involves management judgement and estimation regarding whether sufficient taxable income is expected to be generated in future for which to deduct these temporary differences.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Company does not have any exposures to foreign currency risk at the end of the Track Record Period.

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HKD, Japanese Yen ("JPY"), Renminbi ("RMB") and USD. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group's foreign currency denominated financial assets and liabilities, translated into HKD at the prevailing closing rates at the end of the Track Record Period, are as follows:

	Exposure to foreign currencies					<i>Total</i> <i>HK\$'000</i>
	<i>HKD</i> <i>HK\$'000</i>	<i>JPY</i> <i>HK\$'000</i>	<i>RMB</i> <i>HK\$'000</i>	<i>USD</i> <i>HK\$'000</i>	<i>Others</i> <i>HK\$'000</i>	
At 31 July 2015						
Financial assets	87,937	309	20,604	296	–	109,146
Financial liabilities	10,963	44,396	1,604	4,931	1,479	63,373
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2016						
Financial assets	68,489	309	7,264	242	1,613	77,917
Financial liabilities	7,666	16,369	217	1,606	–	25,858
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 January 2017						
Financial assets	77,466	308	3,614	305	4	81,697
Financial liabilities	2,740	35,641	208	2,817	1,602	43,008
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained earnings in response to reasonably possible changes in the foreign exchange rates of JPY and RMB to which the Group has significant exposure at the end of the Track Record Period. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the change taking place at the beginning of the year/period and held constant throughout the year/period.

	Increase/(decrease) in foreign exchange rates	Effect on profit after tax and retained earnings HK\$'000
Group		
At 31 July 2015		
JPY	18%	(6,626)
JPY	(18%)	6,626
RMB	1%	159
RMB	(1%)	(159)
At 31 July 2016		
JPY	19%	(2,548)
JPY	(19%)	2,548
RMB	7%	412
RMB	(7%)	(412)
At 31 January 2017		
JPY	10%	(2,950)
JPY	(10%)	2,950
RMB	4%	114
RMB	(4%)	(114)

As HKD is pegged to USD, the directors considered that the foreign currency risk exposure between HKD and USD is limited.

The sensitivity analysis of the Group's exposure to currency risk at the reporting date has been determined based on the hypothetical changes in foreign exchange rates which are commensurate with historical fluctuation during the Track Record Period. The assumed changes represent directors' assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 January 2017 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statements of financial position. The Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk to its trade receivables as the Group's largest customer contributed over 10.3%, 7.5% and 8.5% respectively of the turnover for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 and shared nearly 24.6%, 4.6% and 13.2% respectively of the trade receivables at the end of each reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to the non-recovery of the receivables and there is no recent history of default for the Group's largest customer.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank and cash balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period).

Bank borrowings with a repayment on demand clause should include in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

Maturity Analysis – undiscounted cash outflows					
	Less than 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 31 July 2015					
Trade payables	2,397	–	–	–	2,397
Other payables and accruals	4,169	–	–	–	4,169
Bank borrowings (<i>Note</i>)	54,791	2,436	–	–	57,227
	<u>57,257</u>	<u>2,436</u>	<u>–</u>	<u>–</u>	<u>59,693</u>
At 31 July 2016					
Trade payables	5,140	–	–	–	5,140
Other payables and accruals	1,700	–	–	–	1,700
Bank borrowings (<i>Note</i>)	18,403	–	–	–	18,403
Finance lease payables	362	392	–	–	754
	<u>15,605</u>	<u>392</u>	<u>–</u>	<u>–</u>	<u>16,000</u>
At 31 January 2017					
Trade payables	2,285	–	–	–	2,285
Other payables and accruals	1,691	–	–	–	1,691
Bank borrowings	38,722	–	–	–	38,722
Finance lease payables	362	211	–	–	573
	<u>33,060</u>	<u>211</u>	<u>–</u>	<u>–</u>	<u>33,271</u>

Note:

Bank loan with a repayment on demand clause should include in the “less than 1 year or on demand” time band in the above maturity analysis. As at 31 July 2015, the aggregate undiscounted principal amount of this bank loan amounted to HK\$2,400,000. Taking into account the Group’s financial position, the directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors believe that such bank loan will be repaid in one year after the end of the reporting period 31 July 2015 in accordance with the scheduled repayment dates set out in the loan agreement. At that time, the aggregate principal and interest cash outflows will amount to HK\$2,436,000.

(d) Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest-bearing financial liabilities, mainly borrowings which carried interest at prevailing market interest rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rate for borrowings at the end of each of the Track Record Period and assumed that the amount of liabilities outstanding at the end of each of the Track Record Period was outstanding for the whole year/period.

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's consolidated profit after tax for the years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 would decrease/increase by approximately HK\$474,000, HK\$153,000 and HK\$321,000 respectively, arising mainly as a result of higher/lower interest expense on borrowings.

(e) Categories of the Group's financial instruments at the end of each reporting period

	As at		
	31 July		31 January
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Financial assets:			
Loans and receivables (including cash and cash equivalents)	109,146	77,917	81,697
Financial liabilities:			
Financial liabilities at amortised cost	<u>63,373</u>	<u>25,858</u>	<u>43,008</u>

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

7. REVENUE AND SEGMENT INFORMATION

Revenue and other income and net gains recognised during the Track Record Period are as follows:

	Year ended 31 July		Six months ended 31 January	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Revenue				
Sales of heavy equipment and spare parts	268,197	300,937	137,453	125,297
Lease of heavy equipment	28,993	16,379	9,654	4,344
Maintenance and ancillary services	3,891	3,174	1,649	1,125
	<u>301,081</u>	<u>320,490</u>	<u>148,756</u>	<u>130,766</u>
Other income and net gains				
Compensation income from suppliers	357	343	215	79
Foreign exchange gain, net	7,181	–	–	379
Net gain on disposals of property, plant and equipment	47	282	–	28
Interest income	74	8	4	— ⁽ⁱ⁾
Reversal of allowance for trade receivables	–	2,424	1,000	–
Others	324	235	117	82
	<u>7,983</u>	<u>3,292</u>	<u>1,336</u>	<u>568</u>

⁽ⁱ⁾ Represent the amount less than HK\$1,000.

Segment information

Management has determined the operating segments based on the reports reviewed by the directors of the Company, the chief operating decision-maker, that are used to make strategic decisions. The directors consider the business from a product/service perspective. Principal activities of the segments are as follows:

Sales of heavy equipment and spare parts	– Trading of heavy equipment and spare parts in Hong Kong
Lease of heavy equipment	– Leasing of heavy equipment in Hong Kong
Maintenance and ancillary services	– Providing maintenance and ancillary services in Hong Kong

Segment revenue is measured in a manner consistent with that in the consolidated statements of profit or loss and other comprehensive income.

The directors assess the performance of the operating segments based on a measure of segment results. Unallocated income, unallocated corporate expenses, finance costs, income tax expense and other major items that are isolated and non-recurring in nature are not included in segment results.

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated statement of financial position except unallocated cash and bank balances and other unallocated assets.

Segment liabilities mainly consist of current liabilities as disclosed in the consolidated statement of financial position except income tax liabilities, deferred tax liabilities, bank loan, obligations under finance leases and other unallocated liabilities.

(i) *Information about reportable segment profit or loss, assets and liabilities:*

	Sales of heavy equipment and spare parts <i>HK\$'000</i>	Lease of heavy equipment <i>HK\$'000</i>	Maintenance and ancillary services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 July 2015					
External revenue	268,197	28,993	3,891	–	301,081
Segment results	25,352	17,320	1,640	(6,630)	37,682
Depreciation	–	2,296	–	983	3,279
Other material non-cash items:					
Allowance for trade receivables	6,665	33	–	–	6,698
Allowance for inventories	4,998	–	–	–	4,998
Additions to non-current assets	–	19,010	–	1,319	20,329
As at 31 July 2015					
Segment assets	218,977	21,977	–	33,887	274,841
Segment liabilities	59,492	1,604	–	14,993	76,089
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

APPENDIX I**ACCOUNTANTS' REPORT ON
HISTORICAL FINANCIAL INFORMATION**

	Sales of heavy equipment and spare parts <i>HK\$'000</i>	Lease of heavy equipment <i>HK\$'000</i>	Maintenance and ancillary services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 July 2016					
External revenue	300,937	16,379	3,174	–	320,490
Segment results	26,150	9,318	1,039	(7,688)	28,819
Depreciation	–	2,331	–	1,066	3,397
Other material non-cash items:					
Reversal of allowance for trade receivables	2,424	–	–	–	2,424
Reversal of allowance for inventories	4,998	–	–	–	4,998
Additions to non-current assets	–	16,043	–	3,017	19,060
As at 31 July 2016					
Segment assets	151,281	13,030	402	40,022	204,735
Segment liabilities	<u>25,228</u>	<u>–</u>	<u>–</u>	<u>16,754</u>	<u>41,982</u>
Six months ended 31 January 2017					
External revenue	125,297	4,344	1,125	–	130,766
Segment results	14,211	2,219	237	(6,798)	9,869
Depreciation	–	911	–	507	1,418
Additions to non-current assets	–	18,848	–	6	18,854
As at 31 January 2017					
Segment assets	164,289	18,653	296	38,985	222,223
Segment liabilities	<u>45,480</u>	<u>–</u>	<u>–</u>	<u>6,579</u>	<u>52,059</u>

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**ACCOUNTANTS' REPORT ON
HISTORICAL FINANCIAL INFORMATION**

	Sales of heavy equipment and spare parts <i>HK\$'000</i>	Lease of heavy equipment <i>HK\$'000</i>	Maintenance and ancillary services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended					
31 January 2016 (Unaudited)					
External revenue	137,453	9,654	1,649	–	148,756
Segment results	12,871	6,146	513	(3,472)	16,058
Depreciation	–	1,017	–	524	1,541
Other material non-cash items:					
Reversal of allowance for trade receivables	1,000	–	–	–	1,000
Reversal of allowance for inventories	437	–	–	–	437
Additions to non-current assets	–	10,214	–	1,189	11,403
As at 31 January 2016					
Segment assets	196,543	20,904	257	51,198	268,902
Segment liabilities	53,753	1,332	–	61,425	116,510

(ii) *Reconciliation of reportable segment profit or loss, assets and liabilities*

	Year ended 31 July		Six months ended	
	2015	2016	31 January	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(Unaudited)</i>				
Profit or loss				
Total profits of reportable segments	44,312	36,507	19,530	16,667
Unallocated amounts				
Unallocated income	121	326	4	28
Unallocated corporate expenses	(6,751)	(8,014)	(3,476)	(6,826)
Consolidated profit before tax	37,682	28,819	16,058	9,869

APPENDIX I**ACCOUNTANTS' REPORT ON
HISTORICAL FINANCIAL INFORMATION**

	As at		
	2015	31 July 2016	31 January 2017
	HK\$'000	HK\$'000	HK\$'000
Assets			
Total assets of reportable segments	240,954	164,713	183,238
Unallocated amounts:			
Corporate property, plant and equipment	1,420	2,708	1,795
Prepayments, deposits and other receivables	1,890	1,844	3,459
Bank and cash balances	29,752	35,470	33,731
Deferred tax assets	825	—	—
Consolidated total assets	<u>274,841</u>	<u>204,735</u>	<u>222,223</u>

	As at		
	2015	31 July 2016	31 January 2017
	HK\$'000	HK\$'000	HK\$'000
Liabilities			
Total liabilities of reportable segments	61,096	25,228	45,480
Unallocated amounts:			
Corporate liabilities	2,565	2,432	2,251
Bank loan	4,800	2,400	—
Current tax liabilities	5,225	10,242	1,737
Deferred tax liabilities	2,403	1,680	2,591
Consolidated total liabilities	<u>76,089</u>	<u>41,982</u>	<u>52,059</u>

(iii) Geographical information

Since all of the Group's revenue was generated in Hong Kong and all of the Group's identifiable assets and liabilities were located in Hong Kong, no geographical information is presented.

Information about major customers

Revenue from a customer contributing over 10% of the total revenue of the Group is as follows:

	Six months ended			
	Year ended 31 July		31 January	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Customer A ¹	<u>31,054</u>	<u>N/A²</u>	<u>N/A²</u>	<u>N/A²</u>

¹ Revenue from sales of heavy equipment and spare parts and rental income from lease of heavy equipment.

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

APPENDIX I**ACCOUNTANTS' REPORT ON
HISTORICAL FINANCIAL INFORMATION****8. COST OF SALES**

	Year ended 31 July		Six months ended 31 January	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Costs of heavy equipment and spare parts	214,445	244,226	110,564	98,972
Declaration	2,322	28	15	20
Depreciation (<i>Note 16</i>)	2,296	2,331	1,017	911
Freight and transportation	3,833	3,360	1,768	1,786
Repairs and maintenance	14,871	12,364	6,278	4,307
Staff costs (<i>Note 11</i>)	9,674	6,506	3,587	2,605
	<u>247,441</u>	<u>268,815</u>	<u>123,229</u>	<u>108,601</u>

9. FINANCE COSTS

	Year ended 31 July		Six months ended 31 January	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Interest on borrowings				
– Wholly repayable within five years	1,297	1,253	691	454
Finance leases charges	–	24	12	9
	<u>1,297</u>	<u>1,277</u>	<u>703</u>	<u>463</u>

10. INCOME TAX EXPENSE

	Year ended 31 July		Six months ended 31 January	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Current tax – Hong Kong				
Provision for the year	6,127	4,540	2,552	1,458
Under-provision in prior years	–	661	661	89
	<u>6,127</u>	<u>5,201</u>	<u>3,213</u>	<u>1,547</u>
Deferred tax (<i>Note 23</i>)	343	102	(310)	911
	<u>6,470</u>	<u>5,303</u>	<u>2,903</u>	<u>2,458</u>

The Company was incorporated in the Cayman Islands and TLMC was incorporated in BVI that are tax exempted as no business carried in Cayman Islands and BVI under the tax laws of the Cayman Islands and the BVI.

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profits during the Track Record Period.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 31 July		Six months ended 31 January	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(Unaudited)</i>			
Profit before tax	37,682	28,819	16,058	9,869
Tax at the Hong Kong Profits Tax rate of 16.5%	6,217	4,755	2,649	1,628
Tax effect of income that is not taxable	(44)	(48)	–	(5)
Tax effect of expenses that are not deductible	328	546	217	788
Tax effect of temporary differences not recognised	23	(41)	82	59
Tax effect of utilisation of tax losses not previously recognised	(54)	–	(86)	(61)
Tax losses not recognised	–	50	–	–
Tax concession	(40)	(40)	(40)	(40)
Over-provision in current year	40	–	–	–
Under-provision in prior years	–	81	81	89
Income tax expense	<u>6,470</u>	<u>5,303</u>	<u>2,903</u>	<u>2,458</u>

As at 31 July 2015 and 2016 and 31 January 2017, a subsidiary in the Group has unused tax losses of approximately HK\$3,275,000, HK\$3,578,000 and HK\$3,211,000 respectively available for offset against future profits. Related deferred tax asset has not been recognised due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

11. PROFIT FOR THE YEAR/PERIOD

The Group's profit for the Track Record Period is stated after charging/(crediting) the following:

	Year ended 31 July		Six months ended 31 January	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Auditor's remuneration	180	400	200	222
Allowance/(reversal of allowance)				
for trade receivables	6,698	(2,424)	(1,000)	–
Allowance/(reversal of allowance)				
for inventories				
(included in cost of inventories) (Note)	4,998	(4,998)	(437)	–
Cost of inventories sold	214,445	244,226	110,564	98,972
Depreciation	3,279	3,397	1,541	1,418
Foreign exchange (gain)/loss, net	(7,181)	7,299	2,002	(379)
Net (gain)/loss on disposals of property, plant and equipment	(47)	(282)	62	(28)
Listing expenses	1,980	2,784	1,075	4,274
Operating lease charges in respect of:				
– Director's quarter	1,976	1,800	900	900
– Office premises	754	760	377	396
	2,730	2,560	1,277	1,296
Staff costs including directors' emoluments				
– Salaries, allowances and bonus	14,425	12,200	6,410	6,011
– Retirement benefit scheme contributions	406	388	202	177
– Quarter expenses	2,023	1,839	918	918
	16,854	14,427	7,530	7,106

Note: Allowance for inventories is written back when the relevant inventory is sold.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each of the Company's director were as follows:

	Fees <i>HK\$'000</i>	Salaries, allowances and bonus <i>HK\$'000</i>	Quarter contributions <i>HK\$'000</i>	Retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 July 2015					
Executive director:					
Mr. Chow Luen Fat	–	2,400	–	18	2,418
Ms. Liu Shuk Yee	–	316	–	14	330
Ms. Ng Wai Ying	–	–	–	–	–
	–	2,716	–	32	2,748
Non-executive director:					
Ms. Cheng Ju Wen	–	432	2,023	18	2,473
	–	3,148	2,023	50	5,221
Year ended 31 July 2016					
Executive director:					
Mr. Chow Luen Fat	–	2,400	–	18	2,418
Ms. Liu Shuk Yee	–	348	–	15	363
Ms. Ng Wai Ying	–	124	–	4	128
	–	2,872	–	37	2,909
Non-executive director:					
Ms. Cheng Ju Wen	–	530	1,839	18	2,387
	–	3,402	1,839	55	5,296

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	Fees	Salaries, allowances and bonus	Quarter	Retirement benefit scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 31 January 2016					
(Unaudited)					
Executive director:					
Mr. Chow Luen Fat	–	1,200	–	9	1,209
Ms. Liu Shuk Yee	–	108	–	8	116
Ms. Ng Wai Ying	–	–	–	–	–
	–	1,308	–	17	1,325
Non-executive director:					
Ms. Cheng Ju Wen	–	230	918	9	1,157
	–	1,538	918	26	2,482
	<u>–</u>	<u>1,538</u>	<u>918</u>	<u>26</u>	<u>2,482</u>
Six months ended 31 January 2017					
Executive director:					
Mr. Chow Luen Fat	–	1,200	–	9	1,209
Ms. Liu Shuk Yee	–	218	–	9	227
Ms. Ng Wai Ying	–	399	–	9	408
	–	1,817	–	27	1,844
Non-executive director:					
Ms. Cheng Ju Wen	–	300	918	9	1,227
	–	2,117	918	36	3,071
	<u>–</u>	<u>2,117</u>	<u>918</u>	<u>36</u>	<u>3,071</u>

Notes:

- (i) Mr. Chow Luen Fat and Ms. Cheng Ju Wen were appointed as directors of the Company on 11 December 2015 and were re-designated as executive director and non-executive director of the Company on 4 August 2016. They were also directors of all subsidiaries of the Company during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries before their appointment as executive director and non-executive director of the Company on 4 August 2016.
- (ii) Ms. Liu Shuk Yee and Ms. Ng Wai Ying were appointed as executive directors of the Company on 4 August 2016.
- (iii) Mr. Wong Man Hin, Raymond, Mr. Law Tze Lun and Mr. Kwok Siu Man were appointed as independent non-executive directors of the Company on 30 June 2017. During the Track Record Period, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.
- (iv) During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

The five highest paid individuals in the Group during the Track Record Period included two, two and three directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three, three and two individuals are set out below:

	Year ended 31 July		Six months ended 31 January	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
			<i>(Unaudited)</i>	
Salaries, allowances and bonus	1,955	1,390	818	550
Retirement benefit scheme contributions	51	50	26	18
	<u>2,006</u>	<u>1,440</u>	<u>844</u>	<u>568</u>

The emoluments fell within the following band:

	Number of individuals			
	Year ended 31 July		Six months ended 31 January	
	2015	2016	2016	2017
			(Unaudited)	
Nil to HK\$1,000,000	3	3	3	2

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office.

13. DIVIDENDS

During the Track Record Period, the Company's subsidiary made the following distributions to its then shareholders:

Dividends declared and paid/payable to its then shareholders during the Track Record Period by:	Year ended 31 July				Six months ended 31 January			
	2015		2016		2016		2017	
	Dividend per share	Total dividends	Dividend per share	Total dividends	Dividend per share	Total dividends	Dividend per share	Total dividends
	HK\$	HK\$'000	HK\$	HK\$'000	HK\$	HK\$'000	HK\$	HK\$'000
Tak Lee Hong Kong	2.71	8,117	19.84	59,515	19.84	59,515	–	–

No dividend has been paid or declared by the Company since its date of incorporation.

14. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HKD1,500 (before 1 June 2014: HKD1,250) per employee and vest fully with employees when contributed into the MPF Scheme.

15. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this Financial Information, is not considered meaningful due to the Group Reorganisation and the basis of presentation of the results of the Group for the Track Record Period as further explained in note 2 to the Financial Information.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Machinery for lease <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost							
At 1 August 2014	199	74	12,992	2,480	539	3,077	19,361
Additions	238	–	19,010	45	32	1,004	20,329
Disposals	–	–	–	–	–	(717)	(717)
Reclassification to inventories	–	–	(16,105)	–	–	–	(16,105)
At 31 July 2015 and 1 August 2015	437	74	15,897	2,525	571	3,364	22,868
Additions	234	25	16,043	24	59	2,675	19,060
Disposals	(11)	–	–	–	–	(1,595)	(1,606)
Reclassification to inventories	–	–	(20,274)	–	–	–	(20,274)
At 31 July 2016 and 1 August 2016	660	99	11,666	2,549	630	4,444	20,048
Additions	–	–	18,848	–	6	–	18,854
Disposals	–	–	–	–	–	(412)	(412)
Reclassification to inventories	–	–	(14,044)	–	–	–	(14,044)
At 31 January 2017	660	99	16,470	2,549	636	4,032	24,446
Accumulated depreciation and impairment							
At 1 August 2014	198	62	1,060	2,205	466	1,971	5,962
Charge for the year	95	3	2,296	96	9	780	3,279
Disposals	–	–	–	–	–	(334)	(334)
Reclassification to inventories	–	–	(2,083)	–	–	–	(2,083)
At 31 July 2015 and 1 August 2015	293	65	1,273	2,301	475	2,417	6,824
Charge for the year	179	3	2,331	99	38	747	3,397
Disposals	(1)	–	–	–	–	(942)	(943)
Reclassification to inventories	–	–	(2,187)	–	–	–	(2,187)
At 31 July 2016 and 1 August 2016	471	68	1,417	2,400	513	2,222	7,091
Charge for the period	59	4	911	46	21	377	1,418
Reclassification to inventories	–	–	(1,668)	–	–	–	(1,668)
At 31 January 2017	530	72	660	2,446	534	2,599	6,841

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	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Machinery for lease <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net book value							
At 31 January 2017	130	27	15,810	103	102	1,433	17,605
At 31 July 2016	189	31	10,249	149	117	2,222	12,957
At 31 July 2015	144	9	14,624	224	96	947	16,044

As at 31 July 2015 and 2016 and 31 January 2017, the carrying amounts of motor vehicles held by the Group under finance leases amounted to approximately nil, HK\$740,000 and HK\$582,000 respectively.

17. INVENTORIES

	Group As at	
	31 July 2015 <i>HK\$'000</i>	31 January 2016 <i>HK\$'000</i>
Inventories	125,280	108,917
Allowance for inventories	(4,998)	—
	<u>120,282</u>	<u>108,917</u>

Reconciliation of allowance for inventories

	Group As at	
	31 July 2015 <i>HK\$'000</i>	31 January 2016 <i>HK\$'000</i>
At beginning of the year/period	—	4,998
Allowance for the year/period	4,998	—
Reversal of allowance for the year/period	—	(4,998)
At end of the year/period	<u>4,998</u>	<u>—</u>

Because of the change in the market conditions of the Group's products during the Track Record Period, there was significant change in the net realisable value of inventories. As a result, allowance for inventories of HK\$4,998,000 was made for the year ended 31 July 2015.

18. TRADE RECEIVABLES

	Group	
	As at	
	31 July	31 January
	2015	2016
	2017	
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	81,795	51,155
Allowance for doubtful debts	(6,698)	(4,274)
	<u>75,097</u>	<u>46,881</u>

The Group's credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance or cash on delivery is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on the delivery date, and net of allowance, is as follows:

	Group	
	As at	
	31 July	31 January
	2015	2016
	2017	
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	36,419	26,569
91 to 180 days	19,726	3,582
181 to 365 days	10,022	14,495
Over 1 year	8,930	2,235
	<u>75,097</u>	<u>46,881</u>

Reconciliation of allowance for trade receivables:

	Group		
	As at		
	31 July		31 January
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year/period	–	6,698	4,274
Allowance for the year/period	6,698	–	–
Reversal of allowance for the year/period	–	(2,424)	–
	<u> </u>	<u> </u>	<u> </u>
At end of the year/period	<u>6,698</u>	<u>4,274</u>	<u>4,274</u>

As at 31 July 2015 and 2016 and 31 January 2017, trade receivables of approximately HK\$40,525,000, HK\$18,993,000 and HK\$31,393,000 respectively were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group		
	As at		
	31 July		31 January
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 3 months	21,074	13,298	15,696
3 to 6 months	6,928	1,293	5,032
6 to 12 months	5,222	2,855	9,204
Over 1 year	7,301	1,547	1,461
	<u> </u>	<u> </u>	<u> </u>
	<u>40,525</u>	<u>18,993</u>	<u>31,393</u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	Group		
	As at		
	31 July		31 January
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HKD	57,015	32,461	43,263
RMB	18,082	7,264	3,614
Australian dollars	–	1,613	–
Euro ("EUR")	–	–	4
	<u> </u>	<u> </u>	<u> </u>
	<u>75,097</u>	<u>41,338</u>	<u>46,881</u>

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	Group		
	As at		
	31 July		31 January
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Prepayments			
Goods purchased	27,919	3,713	20,600
Listing expenses	–	1,220	2,443
Administrative and operating expenses	1	11	164
	<u>27,920</u>	<u>4,944</u>	<u>23,207</u>
Deposits			
Rental deposits	581	582	582
Utility deposits	36	42	42
Trade deposits	233	233	233
	<u>850</u>	<u>857</u>	<u>857</u>
Other receivables			
Advances to suppliers	1,024	252	228
Advances to customers	2,179	–	–
Others	244	–	–
	<u>3,447</u>	<u>252</u>	<u>228</u>
	<u>32,217</u>	<u>6,053</u>	<u>24,292</u>
	Company		
	As at		
	31 July		31 January
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Prepayments			
Listing expenses	–	1,220	2,443

20. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances as at 31 July 2015 and 2016 and 31 January 2017 are denominated in the following currencies:

	31 July 2015 HK\$'000	Group As at 2016 HK\$'000	31 January 2017 HK\$'000
USD	63	9	72
HKD	29,680	35,404	33,579
JPY	9	57	80
	<u>29,752</u>	<u>35,470</u>	<u>33,731</u>

21. TRADE AND OTHER PAYABLES AND ACCRUALS

	31 July 2015 HK\$'000	Group As at 2016 HK\$'000	31 January 2017 HK\$'000
Trade payables	<u>2,397</u>	<u>5,140</u>	<u>2,285</u>
Other payables and accruals			
Accrued staff costs	105	–	–
Accrued listing expenses	1,980	1,300	1,460
Accrued administrative and operating expenses	480	400	231
Rental deposits received for leasing of machinery	<u>1,604</u>	<u>–</u>	<u>–</u>
	<u>4,169</u>	<u>1,700</u>	<u>1,691</u>
Deposits receipt in advance	<u>5,088</u>	<u>4,202</u>	<u>4,723</u>
	<u>11,654</u>	<u>11,042</u>	<u>8,699</u>

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	31 July 2015 HK\$'000	Group As at 2016 HK\$'000	31 January 2017 HK\$'000
0 to 90 days	<u>2,397</u>	<u>5,140</u>	<u>2,285</u>

The credit period ranges from 0 to 30 days.

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The carrying amounts of the Group's trade and other payables and accruals are denominated in the following currencies:

	Group		
	As at		
	31 July		31 January
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
USD	3,177	1,606	1,576
HKD	1,918	8,736	5,409
RMB	6,479	217	1,432
JPY	80	483	275
EUR	—	—	7
	<u>11,654</u>	<u>11,042</u>	<u>8,699</u>

22. FINANCE LEASE PAYABLES

	Group					
	Minimum lease payments			Present value of minimum lease payments		
	As at			As at		
	31 July	31 January		31 July	31 January	
	2015	2016	2017	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	—	362	362	—	346	351
In the second to fifth years, inclusive	—	392	211	—	386	209
	<u>—</u>	<u>754</u>	<u>573</u>	<u>—</u>	<u>732</u>	<u>560</u>
Less: Future finance charges	—	(22)	(13)	N/a	N/a	N/a
	<u>—</u>	<u>732</u>	<u>560</u>	<u>—</u>	<u>732</u>	<u>560</u>
Present value of lease obligations	<u>—</u>	<u>732</u>	<u>560</u>	<u>—</u>	<u>732</u>	<u>560</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)				—	(346)	(351)
Amount due for settlement after 12 months				<u>—</u>	<u>386</u>	<u>209</u>

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term is three years. As at 31 July 2015 and 2016 and 31 January 2017, the flat rate was nil, 1.49% and 1.49% respectively. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicles at nominal prices.

All finance lease payables are denominated in HKD.

23. DEFERRED TAX

The following are deferred tax liabilities and assets recognised by the Group:

	Accelerated tax depreciation HK\$'000	Allowance for inventories HK\$'000	Total HK\$'000
At 1 August 2014	1,235	–	1,235
Charge/(credit) to profit or loss for the year (<i>Note 10</i>)	1,168	(825)	343
At 31 July 2015 and 1 August 2015	2,403	(825)	1,578
(Credit)/charge to profit or loss for the year (<i>Note 10</i>)	(143)	825	682
Over-provision in prior years	(580)	–	(580)
At 31 July 2016 and 1 August 2016	1,680	–	1,680
Charge to profit or loss for the period (<i>Note 10</i>)	1,000	–	1,000
Over-provision in prior years	(89)	–	(89)
At 31 January 2017	2,591	–	2,591

The following is the analysis of the deferred tax balances for consolidated statements of financial position purposes.

	31 July 2015 HK\$'000	Group As at 2016 HK\$'000	31 January 2017 HK\$'000
Deferred tax liabilities	2,403	1,680	2,591
Deferred tax assets	(825)	–	–
	1,578	1,680	2,591

24. BANK BORROWINGS

	Group As at		
	31 July 2015 HK\$'000	2016 HK\$'000	31 January 2017 HK\$'000
Bank loan	4,800	2,400	—
Import loans	52,007	15,886	38,472
	<u>56,807</u>	<u>18,286</u>	<u>38,472</u>
The bank borrowings are repayable as follows:			
On demand or within one year	54,407	18,286	38,472
In the second year	2,400	—	—
	<u>56,807</u>	<u>18,286</u>	<u>38,472</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(54,407)</u>	<u>(18,286)</u>	<u>(38,472)</u>
Portion of bank loan that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	<u>2,400</u>	<u>—</u>	<u>—</u>

Notes:

- (i) The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	JPY <i>HK\$'000</i>	HKD <i>HK\$'000</i>	USD <i>HK\$'000</i>	EUR <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 July 2015					
Bank loan	–	4,800	–	–	4,800
Import loans	44,396	4,377	1,755	1,479	52,007
	<u>44,396</u>	<u>9,177</u>	<u>1,755</u>	<u>1,479</u>	<u>56,807</u>
At 31 July 2016					
Bank loan	–	2,400	–	–	2,400
Import loans	15,886	–	–	–	15,886
	<u>15,886</u>	<u>2,400</u>	<u>–</u>	<u>–</u>	<u>18,286</u>
At 31 January 2017					
Bank loan	–	–	–	–	–
Import loans	35,635	–	1,241	1,596	38,472
	<u>35,635</u>	<u>–</u>	<u>1,241</u>	<u>1,596</u>	<u>38,472</u>

- (ii) Import loans of approximately HK\$52,007,000, HK\$15,886,000 and HK\$38,472,000 as at 31 July 2015 and 2016 and 31 January 2017, respectively were secured by the following:
- (a) unlimited guarantee from the Controlling Shareholders; and
 - (b) legal charge over the property of Blue Treasure Limited ("Blue Treasure"), a related company wholly-owned by the Controlling Shareholders.
- (iii) Bank loan of HK\$4,800,000, HK\$2,400,000 and nil as at 31 July 2015 and 2016 and 31 January 2017, respectively was secured by the following:
- (a) unlimited guarantee from the Controlling Shareholders; and
 - (b) a corporate guarantee executed by The Hong Kong Mortgage Corporation Limited.

(iv) The average interest rates per annum at the end of each reporting period were as follows:

	Group As at		
	31 July 2015	2016	31 January 2017
Bank loan	2.78%	2.80%	N/A
Import loans	<u>2.00% to 3.94%</u>	<u>2.00% to 3.50%</u>	<u>2.10% to 4.56%</u>

(v) The Group's borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

25. SHARE CAPITAL

	Group As at					
	31 July 2015		2016		31 January 2017	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Issued and fully paid:						
Ordinary shares	<u>3,000,004</u>	<u>3,000</u>	<u>3,000,005</u>	<u>3,000</u>	<u>3,000,005</u>	<u>3,000</u>

	Company As at					
	31 July 2015		2016		31 January 2017	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Issued and fully paid:						
Ordinary share	<u>–</u>	<u>–</u>	<u>1</u>	<u>–^(iv)</u>	<u>1</u>	<u>–^(iv)</u>

Notes:

- (i) The Company was incorporated in the Cayman Islands on 11 December 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one nil paid ordinary share of HK\$0.01 was issued to the initial subscriber, which was transferred to Generous Way. Further details on the Company's share capital are set out in the section headed "Statutory and general information — A. Further information about our Group — 2. Changes in share capital of our Company" in Appendix IV to the Prospectus.
- (ii) For the purpose of the preparation of the consolidated statements of financial position, the balance of share capital as at 31 July 2015 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group held by the controlling shareholders of the Company prior to the Reorganisation.
- (iii) For the purpose of the preparation of the consolidated statements of financial position, the balance of share capital as at 31 July 2016 and 31 January 2017 represents the aggregate of the paid up share capital of the Company and its subsidiaries comprising the Group held by the controlling shareholders of the Company prior to the Reorganisation.
- (iv) Represent the share capital of HK\$0.01.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is the Group's total debts (comprising finance lease payables and borrowings) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratios during the Track Record Period were 28.6%, 11.7% and 22.9% respectively. The decrease in the gearing ratio of the Group is primarily due to the decrease in the balance of bank borrowings as at 31 July 2016.

The externally imposed capital requirement for the Group is to meet financial covenants attached to the interest-bearing borrowings. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. The director of the Company represent that the Group has complied with the financial covenant throughout the Track Record Period.

26. MAJOR NON-CASH TRANSACTIONS

- (i) Property, plant and equipment of approximately HK\$19,010,000, HK\$16,043,000 and HK\$18,848,000, respectively were reclassified from inventories held for sale during the Track Record Period.
- (ii) Property, plant and equipment of approximately HK\$14,022,000, HK\$18,087,000 and HK\$12,376,000, respectively were reclassified to inventories held for sale during the Track Record Period.
- (iii) Property, plant and equipment of approximately nil, HK\$624,000 and nil, respectively were reclassified from deposits paid for non-current assets during the Track Record Period.
- (iv) Additions to property, plant and equipment of approximately nil, HK\$1,040,000 and nil, respectively were financed by finance leases during the Track Record Period.

27. CONTINGENT LIABILITIES

At 31 July 2015 and 2016 and 31 January 2017, the Group and the Company did not have any other significant contingent liabilities.

28. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the Track Record Period but not yet incurred are as follows:

	Group		
	As at		
	31 July		31 January
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	1,844	—	—

29. LEASE COMMITMENTS

The Group as lessee

At 31 July 2015 and 2016 and 31 January 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group As at		
	31 July		31 January
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,623	1,597	689
In the second to fifth years inclusive	1,465	–	–
	<u>4,088</u>	<u>1,597</u>	<u>689</u>

Operating lease payments represent rentals payable by the Group for its offices and director's quarter. Leases are negotiated for an average term of 2 years, 2 years and 2 years at 31 July 2015 and 2016 and 31 January 2017 respectively and rentals are fixed over the lease terms and do not include contingent rentals.

The Group as lessor

At 31 July 2015 and 2016 and 31 January 2017, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	Group As at		
	31 July		31 January
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<u>4,384</u>	<u>263</u>	<u>1,797</u>

Operating lease payments represent rentals receivable by the Group for its earthmoving machinery and equipment. Leases are negotiated for an average term of 6 months, 2 months and 2 months at 31 July 2015 and 2016 and 31 January 2017 respectively and rentals are fixed over the lease terms and do not include contingent rentals.

30. RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in the Financial Information, the Group had the following transactions with related parties during the Track Record Period:

- (a) The remuneration of directors and other members of key management during the Track Record Period was as follows:

	Year ended 31 July		Six months ended	
	2015	2016	31 January 2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(Unaudited)</i>	
Short-term benefits	5,221	5,296	2,482	3,071

- (b) Personal guarantee was given by the Controlling Shareholders against the banking facilities granted to the Group as disclosed in note 24 to the Financial Information at nil consideration.
- (c) Legal charge over the property owned by Blue Treasure against the banking facilities granted to the Group as disclosed in note 24 to the Financial Information at nil consideration.

31. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 January 2017 and up to the date of this report, the following significant events have taken place:

- (a) The companies now comprising the Group underwent and completed the Reorganisation on 30 June 2017 in preparation for the Listing. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure – Reorganisation" in the Prospectus.
- (b) On 30 June 2017, written resolutions were passed to effect the transactions as set out in the section headed "Statutory and general information – A. Further Information About Our Group – 3. Written Resolutions of Our Sole Shareholder passed on 30 June 2017" in Appendix IV to the Prospectus, certain of which are disclosed as follows:
- (i) The authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of additional 962,000,000 shares.
- (ii) The Company's Share Option Scheme was adopted. Details of the Share Option Scheme are set out in the section headed "Statutory and general information – D. Other Information – 1. Share Option Scheme" in Appendix IV to the Prospectus.

- (c) On 8 February 2017, the legal charge over the property owned by Blue Treasure as disclosed in note 24 to the Financial Information was released and replaced by the Group's bank deposit pledged amounted to HK\$10,000,000 against the banking facilities granted to the Group.

32. 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 January 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

For illustrative purpose only, the pro forma financial information prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules is set out herein to provide the investors with further information to assess the financial performance of the Group after taking into account the adjusted net tangible assets of the Group to illustrate the financial position of the Group after completion of the Share Offer and to illustrate the performance of the Group had the Share Offer been completed on 31 January 2017.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Share Offer may have affected the net tangible assets attributable to owners of the Company had it occurred as of 31 January 2017. It has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of the Group.

	Audited consolidated net tangible assets attributable to owners of the Company as of 31 January 2017 ⁽¹⁾ HK\$'000	Estimated net proceeds from the Share Offer ⁽²⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets ⁽³⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets per Share ⁽⁴⁾ HK\$
Based on a Offer Price of HK\$0.28 per Share	170,164	57,685	227,849	0.23
Based on a Offer Price of HK\$0.44 per Share	<u>170,164</u>	<u>95,882</u>	<u>266,046</u>	<u>0.27</u>

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company as of 31 January 2017 is arrived from the audited consolidated net assets of HK\$170,164,000 as of 31 January 2017, as shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds of approximately HK\$57,685,000 and HK\$95,882,000 from the Share Offer are based on 250,000,000 Shares to be issued at indicative Offer Price of HK\$0.28 and HK\$0.44 per Share, respectively, being the low-end price and high-end price, after deduction of the estimated underwriting commission and other estimated listing expense payable by us (excluding approximately HK\$11,481,000 listing expenses which has been accounted for prior to 31 January 2017), and does not take into account of any Shares which may be issued upon exercise of options which may be granted under the Share Option Scheme.
- (3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 January 2017.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is calculated based on 1,000,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" of this Prospectus assuming the Share Offer and the Capitalisation Issue had been completed on 31 January 2017 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of the Shares as described in "Appendix IV – Statutory and general information" in this Prospectus.

B. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this Prospectus, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong.



29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

17 July 2017

The Board of Directors
Tak Lee Machinery Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tak Lee Machinery Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 January 2017 and related notes as set out in Part A of Appendix II to the Prospectus dated 17 July 2017 (the “Prospectus”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are specified in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed share offer of the Company (the “Share Offer”) on the Group’s adjusted net tangible assets as at 31 January 2017 as if the Share Offer had been taken place on the same date. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s financial statements for the two years ended 31 July 2016 and the six months ended 31 January 2017 as included in the Prospectus of the Company, on which an accountant’s report has been published.

Directors’ Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM 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 (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 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 31(7) of Chapter 7 of the GEM Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

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 11 December 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 30 June 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the

provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) *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 requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with 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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by 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.

(iv) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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.

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by 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, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by 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;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/ are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of 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 shareholder in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of 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 is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts 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 property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any

portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) 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:

- (i) if the Company is 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, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of 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. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. 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 authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of

its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) 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:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 12 January 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of 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.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 11 December 2015 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 19 August 2016. We have established a place of business in Hong Kong at D.D.111, Lot No.117, Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong. Mr. Chow has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) Our authorised share capital as at the date of our incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 11 December 2015, one nil paid Share was allotted and issued to the initial subscriber, which was transferred to Generous Way on the same day.
- (b) On 30 June 2017, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional of 9,962,000,000 Shares.
- (c) Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid and 9,000,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares referred to in the paragraph headed “A. Further information about our Group – 3. Written resolutions of our sole Shareholder passed on 30 June 2017” in this appendix, the exercise of any option which may be granted under the Share Option Scheme, the Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting of our Company, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of our sole Shareholder passed on 30 June 2017

Written resolutions of our sole Shareholder were passed on 30 June 2017 approving, among others, the following:

- (a) the Memorandum was adopted and the Articles were conditionally adopted as the articles of association of the Company;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares;
- (c) conditional on (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and the Shares to be allotted and issued as mentioned in this prospectus (including Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme); (ii) the entering into of the Price Determination Agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Share Offer;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the sub-paragraph headed “D. Other information – 1. Share Option Scheme” below in this appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;
 - (iii) conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$7,120,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 712,000,000 Shares for allotment and issue to Generous Way and such Shares shall rank *pari passu* in all respects with the then existing issued Shares.

- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding 20% of the total number of Shares in issue immediately following completion of the Share Offer and Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganisation, please refer to the section headed “History, reorganisation and group structure” of this prospectus.

5. Changes in share capital of our subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report as set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report and in the section headed "History, reorganisation and group structure" of this prospectus, our Company has no other subsidiaries.

Save as disclosed in the section headed "History, reorganisation and group structure" of this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchases of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 30 June 2017, a general unconditional mandate was given to the Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on GEM) of not more than 10% of the total number of Shares in issue or to be issued immediately following the completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme), such mandate to expire at the earliest of: (i) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which our Company is required by any applicable law or the Articles to hold the next annual general meeting of our Company; or (iii) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting whichever shall first occur; details of which are set out above in the paragraph headed "A. Further information about our Group – 3. Written resolutions of our sole Shareholder passed on 30 June 2017" in this appendix.

(ii) Source of funds

Any repurchases of Shares by our Company must be paid out of funds legally available for the purpose in accordance with our Company's Memorandum of Association and the Articles, the GEM Listing Rules and the Companies Law. Our Company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Any repurchase of Shares by our Company may be made out of funds legally permitted to be utilised in this connection, including profits of our Company, share premium account of our Company or out of proceeds of a fresh issue of Shares made for that purpose or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on a repurchase over the par value of the Shares to be purchased must be paid out of either or both of profits of our Company or our Company's share premium account, or if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

(iii) Trading restrictions

Our Company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate number of issued Shares of our company or warrants to subscribe for shares in our company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate.

Our Company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring our company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange.

In addition, our Company is prohibited from making securities repurchase on GEM if the result of the repurchase would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for our Company as required and determined by the Stock Exchange.

Our Company shall not repurchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which our shares were traded on the Stock Exchange.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

Under the Companies Law, unless prior to the repurchase, the directors of the company resolve to hold the repurchased shares as treasury shares, a company's repurchased shares shall be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on GEM from a core connected person (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial Shareholder of the Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell his Shares to our Company on GEM.

(vi) Shares to be repurchased

The GEM Listing Rules provide that the Shares which are proposed to be repurchased by our Company must be fully paid-up.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and Shareholders.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands. On the basis of our Company's current financial position as disclosed in this prospectus and taking into account the current working capital position, our Directors consider that, if the repurchase mandate is exercised in full, it might have a material adverse effect on our Company's working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules) currently intends to sell any Shares to our Company or our subsidiaries.

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 and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to any 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).

Our Company has not made any repurchases of its own securities in the past six months. No core connected person (as defined in the GEM Listing Rules) has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if any repurchase mandate is exercised.

B. INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) were entered into by our Company or any of the members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a share swap agreement dated 23 June 2017 entered into among our Company, Mr. Chow, Ms. Cheng, Generous Way and TLMC Company Limited;
- (b) a cornerstone investor placing agreement dated 12 July 2017 entered into among our Company, Geoharbour Holding Co., Ltd., the Sole Bookrunner and the Sole Lead Manager, details of which are set out in the section headed "Cornerstone Investor" of this prospectus.;
- (c) the Deed of Indemnity;

- (d) the Deed of Non-competition; and
- (e) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which we believe are material to our Group's business:

Trademark	Place of registration	Trademark number	Class(es)	Registration date	Expiry date
^A 	Hong Kong	303616920	6, 7, 12	3 December 2015	2 December 2025
^B 					
^C 					
^A 	Hong Kong	303616911	6, 7, 12	3 December 2015	2 December 2025
^B 					
^C 					

(b) Domain names

As at the Latest Practicable Date, our Group had registered the following domain name which we believe is material to our Group's business:

Domain name	Date of registration	Expiry date
www.tlmc-hk.com	12 January 2004	6 June 2018

Information contained in the above website does not form part of this prospectus. Save as disclosed above, there is no other trade or service mark, patent, and other intellectual or industrial property rights which is material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

- (a) *Interests and short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Share which may be issued upon the exercise of any option which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

Name	Company/name of associated corporation	Capacity/Nature of interest	Interests in Shares (Note 1)	Approximate percentage shareholding
Mr. Chow (Note 2)	Our Company	Interest of a controlled corporation (Note 1)	750,000,000 (L)	75%
Ms. Cheng (Note 2)	Our Company	Interest of a controlled corporation (Note 1)	750,000,000 (L)	75%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- Mr. Chow and Ms. Cheng are spouses. Generous Way is beneficially owned as to 50% by Mr. Chow and 50% by Ms. Cheng. By virtue of the SFO, each of Mr. Chow and Ms. Cheng is deemed, or taken to be, interested in the Shares held by Generous Way.

(b) *Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO*

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue, but without taking into account any Share which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, the following persons (other than our Directors and chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Number of Share (Note 1)	Approximate percentage shareholding
Generous Way Limited (Note 2)	Beneficial owner	750,000,000	75%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Mr. Chow and Ms. Cheng are spouses. Generous Way is beneficially owned as to 50% by Mr. Chow and 50% by Ms. Cheng. By virtue of the SFO, each of Mr. Chow and Ms. Cheng is deemed, or taken to be, interested in the Shares held by Generous Way.

2. Particulars of Directors' service contracts and letters of appointment

Each of our executive Directors has entered into a service agreement with our Company on 30 June 2017 for an initial term of three years commencing from Listing Date (subject to termination in certain circumstances as stipulated in the relevant service contracts).

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with our Company on 30 June 2017 for an initial term of one year commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letters of appointment).

Directors' fees are subject to approval by Shareholders at our Company's annual general meeting. Each executive Director may also receive a discretionary bonus in respect of each completed calendar year of service. The amount of such bonus will be determined by the remuneration committee of the Board, subject to the approval by Shareholders in general meeting. All reasonable expenses properly incurred by the Directors in discharging their duties on behalf of our Group will be borne by our Company.

Save as disclosed herein, none of our Directors has entered or is proposed to enter into a service contract with any member of our Group (excluding contracts expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

3. Directors' remuneration

The remuneration of each Director is determined by reference to market terms, seniority, his/her experiences, duties and responsibilities within our Group. Our Directors are entitled to statutory benefits as required by law from time to time.

The aggregate amount of remuneration paid and benefits in kind granted by our Group to our Directors for each of the two years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 were approximately HK\$5,221,000, HK\$5,296,000 and HK\$3,071,000 respectively.

Save as disclosed in the paragraph above, no other emoluments have been paid or are payable, in respect of the two years ended 31 July 2015 and 2016 and the six months ended 31 January 2017 by our Company and our subsidiaries to the Directors. Further information in respect of our Directors' remuneration is set out in note 30 to the Accountants' Report set out in Appendix I to this prospectus.

Under the arrangement currently in force, the aggregate remuneration (including salaries, contributions to pension scheme, housing allowances and other allowances and benefits in kind) of our Directors (excluding discretionary bonus) for the year ending 31 July 2017 is estimated to be approximately HK\$6,048,000.

4. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Save as disclosed in the Accountants' Report set out in Appendix I to this prospectus, our Group has not entered into any related party transaction within the two years immediately preceding the date of this prospectus.

6. Disclaimers

Save as disclosed herein, as at the Latest Practicable Date:

- (a) none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning 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 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 once the Shares are listed;

- (b) none of our Directors or the experts referred to under the paragraph headed “D. Other information – 8. Qualifications of experts” in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts referred to under the paragraph headed “D. Other information – 8. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed “Further information about our Group” in this appendix, and taking no account of Shares which may be taken up under the Share Offer, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (e) none of the experts referred to under the section headed “D. Other information – 8. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 30 June 2017.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to enable our Company to grant options to Eligible Participants (as defined in paragraph (b) below) as incentives or rewards for their contribution or potential contribution to our Company and/or any of our subsidiaries.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisors, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

(c) *Acceptance of an offer of options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the Grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares available for subscription

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer, being 100,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, cancelled, and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the GEM Listing Rules) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before the shareholders' approval and the date of the Board meeting at which the Board resolves to grant the proposed options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
 - (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the exercise price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;
 - (gg) the date of the expiry of the option as may be determined by the Board which shall not be later than the last day of the period to be notified by the Board to each grantee within which the option may be exercisable provided that such period of time shall not exceed a period of 10 years commencing from the date upon which such option is deemed to be granted and accepted in accordance with paragraph (c);
 - (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and

- (ii) such other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the GEM Listing Rules.

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share,

provided that for the purpose of determining the exercise price where the Shares have been listed on the Stock Exchange for less than 5 business days preceding the date of grant, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each business day falling within the period before the listing of the Shares on the Stock Exchange.

(g) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent nonexecutive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options 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:

- (i) representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the GEM Listing Rules, of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to, in addition to the approval of the independent non-executive directors of our Company as referred to under this paragraph (g), the issue of a circular by our Company and the approval of the shareholders in general meeting on a poll at which all core connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 23.02(2)(c) and (d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (iv) the information required under Rule 2.28 of the GEM Listing Rules from time to time.

(h) Restrictions on the time of grant of options

A grant of options shall not be made after Inside Information (as defined under the GEM Listing Rules) has come to the knowledge of our Company until it has announced such information pursuant to the requirements of the GEM Listing Rules and Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

- (ii) the deadline for our Company to announce its results for any year, half-year, or quarter-year period or other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

- (i) notwithstanding the above, no option shall be granted to the Directors during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) *Rights are personal to grantee*

An option is personal to the grantee and shall not be transferable or assignable and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) *Time of exercise of option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Board to each grantee within which the option may be exercisable provided that such period of time shall not exceed a period of 10 years commencing from the date upon which the option is deemed to be granted and accepted. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of the Listing.

(k) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground which would warrant the termination of his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrations and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

- (v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board), or has been insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally or any other ground which would warrant the termination of his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme),

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) *Cancellation of options*

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (m).

(v) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the passing of the necessary resolutions by our Shareholders to approve and adopt the rules of the Share Option Scheme;
- (ii) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within two calendar months from the date on which the Share Option Scheme was conditionally adopted by an ordinary resolution of our Shareholders:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the GEM Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Division of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 100,000,000 Shares in total.

2. Tax and other indemnities

Pursuant to the Deed of Indemnity referred to in the section headed “B. Information about the business – 1. Summary of the material contracts” in this appendix, the Controlling Shareholders have given indemnities in favour of our Company (for itself and as trustee for its subsidiaries) in connection with, inter alia:

- (i) estate duty which might be payable by any member of our Group by reason of any transfer of property on or before the date on which the conditions of the Share Offer are fulfilled or waived (as applicable) (the “**Effective Date**”);
- (ii) any tax liabilities falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, matters or things earned, accrued or received, entered into or occurring (or deemed to be so earned, accrued or received, entered into or occurring) on or before the Effective Date;
- (iii) all reasonable expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including, but not limited to, legal and other professional costs), charges, liabilities, fines, penalties and tax (collectively the “**Costs**”) which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with the investigation, assessment, review or contesting of any taxation claim in respect of the above paragraph (ii); the settlement of any claim under the Deed of Indemnity; any legal proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any of them; the enforcement of any such settlement or judgment falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, matters or things earned, accrued or received, entered into or occurring on or before the Effective Date; and

save that the Controlling Shareholders will not be liable under the Deed of Indemnity under the following circumstances:

- (i) in respect of the indemnities contained in paragraphs (i), (ii) and (iii) above to the extent that:
 - (a) provision or reserve has been made for such taxation in the audited consolidated accounts of our Group as set out in Appendix I to this prospectus (the “**Accounts**”); or
 - (b) such taxation or liability falling on any member of our Group arising from any act or omission of, or transaction voluntarily effected by, any member of our Group without the prior written consent or agreement of the Controlling Shareholders, otherwise than in the ordinary course of business after the Effective Date or carried out, made or entered into pursuant to a legally binding commitment created before the Effective Date; or
 - (c) any taxation and taxation claim for which any member of our Group is liable as a result of any event occurring or income or profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring or disposing of capital assets after 31 January 2017; or
 - (d) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority coming into force after the Effective Date or to the extent that such claim arises or is increased by an increase in tax rates after such date with retrospective effect; or
 - (e) any provision or reserve made for any taxation in the Accounts which is finally established to be an over-provision or excessive reserve, then the Controlling Shareholder’s liability (if any) in respect of taxation shall be reduced by an amount not exceeding such over-provision or excessive reserve, provided that the amount of any such over-provision or excessive reserve applied pursuant to this paragraph to reduce the Controlling Shareholders’ liability in respect of such taxation shall not be available in respect of any liability arising thereafter in which event the Controlling Shareholders shall be obliged to indemnify each member of our Group against any liability, loss or damage arising from such liability

The provisions contained in the Deed of Indemnity are conditional upon all the conditions stated in the section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” of this prospectus being fulfilled or waived on or before the date which is 30 days after the date of this prospectus, failing which the Deed of Indemnity shall become null and void and cease to have any force and effect.

3. Litigation

As at the Latest Practicable Date, neither our Company or any member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against our Company or any member of our Group, that would have a material adverse effect on its results of operations or financial condition.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including all Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

Pursuant to the engagement letter entered into between our Company and the Sole Sponsor, the Sole Sponsor's fees are HK\$7.5 million and are payable by our Company.

5. Preliminary expenses

Our estimated preliminary expenses are approximately HK\$17,000 and are paid or payable by our Company.

6. Promoter

Our Company has no promoter for the purposes of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any 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. Taxation of holders of Shares*(a) Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares, provided that our Company has no interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualifications of experts

The qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus are as follows:

Name	Qualifications
Asian Capital (Corporate Finance) Limited	A corporation licenced 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
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Crowe Horwath (HK) Consulting & Valuation Limited	Independent professional industry consultant
RSM Hong Kong	Certified Public Accountants
RSM Consulting (Hong Kong) Limited	Internal control consultant
Mr. Selwyn Yu S.C. and Ms. Pauline Leung	Barrister-at-law and senior counsel of Hong Kong, and barrister-at-law of Hong Kong

9. Consents of experts

Each of the experts named in the section headed “D. Other information – 8. Qualifications of experts” in this appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the persons named in the section headed “D. Other information – 8. Qualifications of experts” in this appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. 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 (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

- (c) our Directors confirm that save as disclosed in section headed “Summary – Recent Developments” of this prospectus, there has been no material adverse change in the financial or trading position of our Group since 31 January 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) up to the date of this prospectus;
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in the Cayman Islands;
- (f) all necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (h) no securities of our Group are listed, and no listing of any of such securities is proposed to be sought, on any other stock exchange;
- (i) our Directors have been advised that under the Cayman Islands law, the use of a Chinese name by our Company does not contravene the Cayman Islands law; and
- (j) our Company has no outstanding convertible debt securities or debentures.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

The English language version of this prospectus has been translated into the Chinese language, and the English and Chinese versions of this prospectus are being published separately. If there is any inconsistency between English and Chinese versions of this prospectus, the English version shall prevail.

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) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (ii) copies of each of the material contracts referred to in the section headed “Statutory and general information – B. Information about the business – 1. Summary of material contracts” in Appendix IV to this prospectus; and (iii) the written consents referred to in the section headed “Statutory and general information – D. Other information – 9. 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 Loeb & Loeb LLP at 21st Floor, CCB Tower, 3 Connaught Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum and the Articles;
- (2) the audited consolidated financial statements of the companies comprising our Group for the two years ended 31 July 2016 and the six months ended 31 January 2017;
- (3) the accountants’ report of our Group issued by RSM Hong Kong, the text of which is set out in Appendix I to this prospectus;
- (4) the report on the unaudited pro forma financial information of our Group issued by RSM Hong Kong, the text of which is set out in Appendix II to this prospectus;
- (5) the letter of advice prepared by Conyers Dill & Pearman, summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (6) the Companies Law;
- (7) the legal opinion prepared by Legal Counsel in respect of the suitability of a Director of the Company;
- (8) the material contracts referred to in the section headed “Statutory and general information – B. Information about the business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (9) the service contracts and letters of appointment referred to in the section headed “Statutory and general information – C. Further information about Directors and substantial shareholders – 2. Particulars of Director’s service contracts and letters of appointment” in Appendix IV to this prospectus;
- (10) the rules of the Share Option Scheme;
- (11) the written consents referred to in the section headed “Statutory and general information – D. Other information – 9. Consents of experts” in Appendix IV to this prospectus;
- (12) the Crowe Horwath Report; and
- (13) the report issued by RSM Consulting (Hong Kong) Limited.



TAK LEE MACHINERY HOLDINGS LIMITED

德利機械控股有限公司