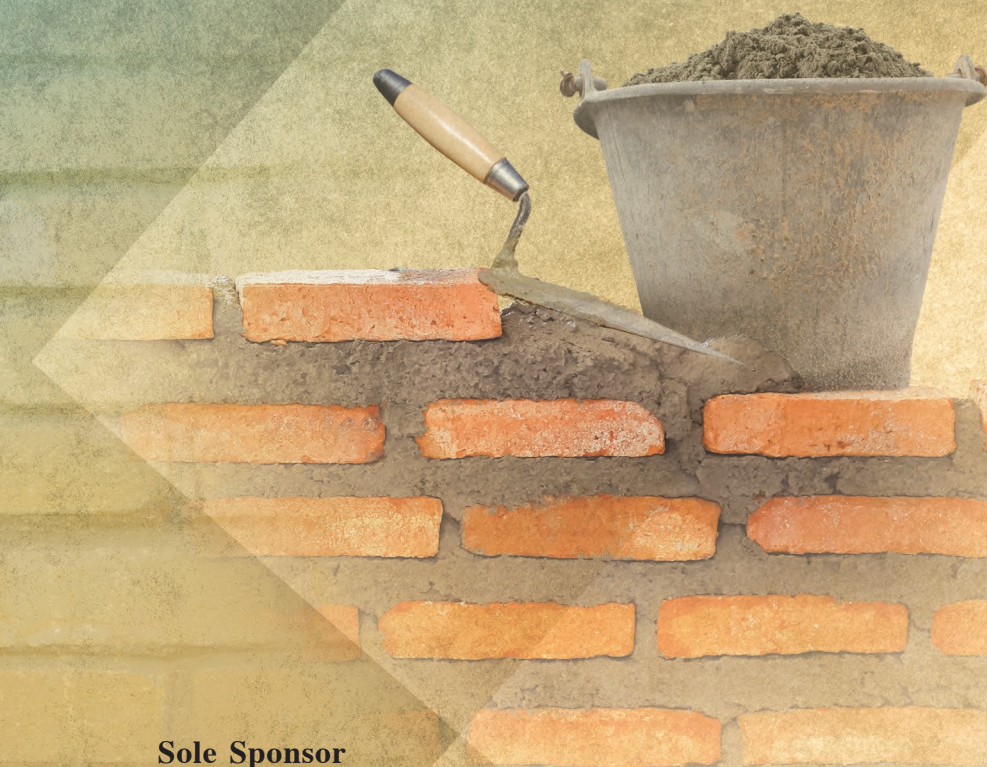


Noble Engineering Group Holdings Limited 怡康泰工程集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8445

SHARE OFFER



Sole Sponsor

SUNWAH KINGSWAY

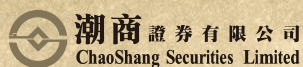
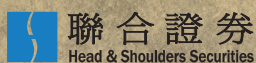
新華滙富

Kingsway Capital Limited

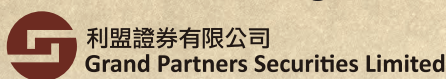
Sole Bookrunner



Joint Lead Managers



Co-Lead Manager



IMPORTANT

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

Noble Engineering Group Holdings Limited

怡康泰工程集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares : 150,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Placing Shares : 135,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Number of Public Offer Shares : 15,000,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$0.49 per Offer Share and expected to be not less than HK\$0.43 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 each
Stock code : 8445

Sole Sponsor

SUNWAH KINGSWAY
新華滙富

Kingsway Capital Limited

Sole Bookrunner

 **聯合證券**
Head & Shoulders Securities

Joint Lead Managers

 **聯合證券**
Head & Shoulders Securities

SUNWAH KINGSWAY
新華滙富
Kingsway Financial Services Group Limited

 **潮商證券有限公司**
ChaoShang Securities Limited

AmCap
Ample Orient Capital Limited
豐盛東方資本有限公司

Co-Lead Manager

 **利盟證券有限公司**
Grand Partners 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 Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Monday, 25 September 2017. The Offer Price will not be more than HK\$0.49 per Offer Share and is currently expected to be not less than HK\$0.43 per Offer Share. If, for any reason, the Offer Price is not agreed by Monday, 25 September 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. In such event, a notice will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.nobleengineering.com.hk. The Sole Bookrunner (for itself and on behalf of the Underwriters), with the consent of our Company, may extend or reduce the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares" of this prospectus.

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

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Public Offer Shares, are subject to termination by the Sole Sponsor, Sole Bookrunner and/or the Joint Lead Managers if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting – Underwriting arrangement and expenses – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. The Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the US Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

19 September 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.

EXPECTED TIMETABLE

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

Date ⁽¹⁾

2017

Public Offer commences and **WHITE** and

YELLOW Application Forms available from 9:00 a.m. on Tuesday, 19 September

Application lists of Public Offer open ^(Note 2) 11:45 a.m. on Friday, 22 September

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

Application Forms 12:00 noon on Friday, 22 September

Latest time to give **electronic application instructions**

to HKSCC ^(Note 3) 12:00 noon on Friday, 22 September

Application lists of Public Offer close ^(Note 2) 12:00 noon on Friday, 22 September

Expected Price Determination Date on or before ^(Note 4) Monday, 25 September

Announcement of the final Offer Price, indications of the levels

of interest in the Placing, the levels of applications

of the Public Offer and the basis of allotment and the results

of applications in the Public Offer to be published on the website

of the Stock Exchange at www.hkexnews.hk and our Company's

website at www.nobleengineering.com.hk on or before Thursday, 28 September

Announcement of results of allocations in the Public Offer

(with successful applicants' identification document numbers,

where appropriate) to be available through a variety of channels

including our Company's website at www.nobleengineering.com.hk

and the website of the Stock Exchange at www.hkexnews.hk

(for further details, please see the section headed "How to

apply for Public Offer Shares – 10. Publication of results"

of this prospectus) on or before Thursday, 28 September

Results of allocations in the Public Offer will be available

at www.ewhiteform.com.hk/results with a "search by ID" function on Thursday, 28

September

Despatch/collection of refund cheques in respect of wholly or partially

unsuccessful applications and wholly or partially successful applications if

the Offer Price is less than the price payable on application

(if applicable) pursuant to the Public Offer on or before ^(Notes 5 to 8) Thursday, 28

September

EXPECTED TIMETABLE

**Date ⁽¹⁾
2017**

Despatch/collection of share certificates in respect of
wholly or partially successful applications pursuant to
the Public Offer on or before ^(Notes 5 to 9) Thursday, 28 September

Dealings in Shares on GEM expected to commence at 9:00 a.m. on Friday,
29 September

Notes:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 22 September 2017, the application lists will not open and close on that day. For further details, please see the section headed “How to apply for Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” of this prospectus.
3. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” of this prospectus.
4. The Price Determination Date is expected to be on or before Monday, 25 September 2017. If our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by the Price Determination Date or such later date as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not become unconditional and will not proceed.
5. Share certificates for the Public Offer Shares are expected to be issued on or before Thursday, 28 September 2017 but will only become valid certificates of title at 8:00 a.m. on Friday, 29 September 2017 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
6. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) may collect their refund cheques (where relevant) and/or share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 28 September 2017 or any other day as announced by us as the date of despatch/collect of share certificates/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) 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.
7. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Form(s) may collect their refund cheques, if any, in person but may not collect their share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
8. Uncollected share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed “How to apply for Public Offer Shares – 13. Despatch/collection of share certificates and refund monies” of this prospectus.

EXPECTED TIMETABLE

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

For further details of the structure and conditions of the Share Offer, you should refer to the section headed “Structure and conditions of the Share Offer” of this prospectus.

Share certificates for the Offer Shares will only become valid certificates of title to which they relate at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting – Underwriting arrangements and expenses – Grounds for termination” in this prospectus has not been exercised and has lapsed. Investors who trade our 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.

CONTENTS

You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer.

	<i>Page</i>
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	v
SUMMARY AND HIGHLIGHTS	1
DEFINITIONS	16
GLOSSARY	26
FORWARD-LOOKING STATEMENTS	28
RISK FACTORS	29
INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER	42
DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER	47
CORPORATE INFORMATION	51
INDUSTRY OVERVIEW	53
REGULATORY OVERVIEW	66
HISTORY, DEVELOPMENT AND REORGANISATION	81
BUSINESS	86
DIRECTORS AND SENIOR MANAGEMENT	161
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS	173

CONTENTS

	<i>Page</i>
SUBSTANTIAL SHAREHOLDERS	179
SHARE CAPITAL	181
FINANCIAL INFORMATION	184
STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS	225
UNDERWRITING	246
STRUCTURE AND CONDITIONS OF THE SHARE OFFER	256
HOW TO APPLY FOR PUBLIC OFFER SHARES	262
APPENDIX I – ACCOUNTANTS’ REPORT	I-1
APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION ...	II-1
APPENDIX III – SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV – STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V – DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary” in this prospectus.

OUR BUSINESS

We principally perform wet trades works as a subcontractor in Hong Kong. We have over 35 years of experience in undertaking wet trades works in Hong Kong. As a subcontractor, we provide our customers with comprehensive wet trades works solutions which generally includes tile laying, brick laying, plastering, floor screeding and marble works. For the two years ended 31 March 2017, our revenue amounted to approximately HK\$267.4 million and HK\$285.4 million, respectively, which was all derived from wet trades works in Hong Kong.

As a subcontractor, we outsource substantial parts of our projects to different subcontractors under our close supervision. Hence, the subcontracting charges incurred by us represent a significant portion of our direct costs which accounted for approximately 86.8% and 87.6% of our direct costs for the years ended 31 March 2016 and 2017, respectively. We focus on (i) the supervision of wet trades works carried out by our subcontractors with a view to ensuring the conformity of the wet trades works with the specifications required by the main contractors as well as the overall quality of the wet trades works and (ii) the overall planning and management of work schedules and logistical arrangements in relation to the site workers, materials, machinery and other resources required at work sites with a view to ensuring smooth and timely completion of the wet trades works.

During the Track Record Period and up to the Latest Practicable Date, we completed 27 wet trades projects with a total contract sum of approximately HK\$473.0 million. As at the Latest Practicable Date, we had 26 projects on hand (including contracts in progress as well as contracts that have been awarded to us but not yet commenced). Our value of backlog as at the Latest Practicable Date amounted to approximately HK\$422.0 million. Further details of our projects backlog are set out in the section headed “Business – Our Projects – Our project backlog” in this prospectus.

Our direct customers are main contractors of various building construction projects in Hong Kong. Our Group provides wet trades services to both private sector and public sector for various building construction projects including residential, community facilities, public housing and commercial development projects. The majority of our revenue during the Track Record Period was derived from private sector projects, representing approximately 88.0% and 90.5% of our turnover for the two years ended 31 March 2017, respectively. We mainly secure our projects from main contractors through tenders by invitation. Our wet trades projects are non-recurring in nature. As a subcontractor, we secure our projects from main contractors after a competitive tendering process whereby we are invited to submit our tender. Our pricing is determined based on a cost-plus pricing model in general with markup determined on a project-by-project basis.

SUMMARY AND HIGHLIGHTS

Customers

During the Track Record Period, our customers are the main contractors of various types building construction projects in Hong Kong. For the two years ended 31 March 2017, the percentage of our total revenue attributable to our largest customer amounted to approximately 35.5% and 26.4%, respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 93.1% and 84.0%, respectively. Among our five largest customers for the Track Record Period, we have provided wet trades services to a majority of them for periods ranging from 6 to 19 years.

During the Track Record Period, we mainly secure our projects from main contractors through tenders by invitation. The following table sets out the number of tender invitation received, the number of contracts tendered, the number of successfully tendered contracts and our success rate during the Track Record Period:

	For the year ended	
	31 March	
	2016	2017
Number of tender invitation received	144	173
Number of tenders submitted	90	100
Number of tenders won	12	14
Success rate (%)	13.3	14.0

Note: Tender success rate is calculated by dividing the number of contracts awarded in respect of the tenders submitted during a financial year by the number of tenders submitted during the financial year.

Our overall tender success rate for each of the two years ended 31 March 2016 and 2017 are 13.3% and 14.0%, respectively. Our tender success rate for the year ended 31 March 2016 was slightly lower than the tender success rate for the year ended 31 March 2017 principally because we were occupied with various wet trades projects undertaken during the financial year ended 31 March 2016. Nevertheless, it was our strategy to be responsive to our customers' tender invitations and submit tenders to our existing customers in order to maintain business relationship with our existing customers and maintain our presence in the market. Under such circumstances, our Director believes that we had taken a relatively prudent approach in costs estimation by factoring a higher profit margin which may cause our tender price to be less competitive than the tenders submitted by our competitors during the year ended 31 March 2016. For the year ended 31 March 2017, our tender success rate had improved to 14.0%.

Suppliers

During the Track Record Period, suppliers of goods and services to our Group mainly include: (i) our subcontractors; (ii) suppliers of construction materials and toolings; (iii) machinery and equipment rental service providers; and (iv) suppliers of other parts and consumables and other miscellaneous goods. For the two years ended 31 March 2017, the percentage of our total purchases incurred from our largest supplier amounted to approximately 4.4% and 6.6% of our total purchases incurred, respectively, while the

SUMMARY AND HIGHLIGHTS

percentage of our total purchases incurred from our five largest suppliers combined amounted to approximately 15.5% and 16.7% of our total purchases incurred, respectively. We generally order the relevant construction materials and services on a project-by-project basis and do not enter into any long-term supply agreements with our suppliers. Among our five largest suppliers for the Track Record Period, we have developed business relationship with them for periods ranging from 2 to 11 years. Our five largest suppliers for the Track Record Period were our subcontractors providing various wet trades services and on-site logistics service under our close supervision. For the two years ended 31 March 2017, we incurred subcontracting charges of approximately HK\$214.8 million and HK\$224.1 million, respectively. Please refer to the section headed “Financial information – Description of selected items for the combined statements of profit or loss and other comprehensive income – Direct costs” in this prospectus for the relevant sensitivity analysis.

Relationship between our customers and our subcontractors

Our Directors consider that as a wet trades works subcontractor, we play an indispensable role of providing customers with comprehensive wet trades works solutions including tile laying, brick laying, plastering, floor screeding and marble works. Our Directors believe that main contractors tend to award wet trades contracts to us (instead of directly dealing with our subcontractors) because: (a) we are able to assume a project management role for our customers to ensure smooth and timely execution of wet trades works with strict quality control and various value-added services which may not be readily provided by our subcontractors; (b) we generally offer longer credit terms to our customers than those offered by our subcontractors; (c) we understand our customers’ needs and have a proven track record as a reliable wet trades subcontractors; and (d) we are a registered subcontractor under the Subcontractors Registration Scheme. For further details, please refer to the section headed “Business – Our services – Relationship between our customers and our subcontractors” of this prospectus.

COMPETITIVE LANDSCAPE AND MARKET POSITION

According to the Frost & Sullivan Report, the wet trades industry in Hong Kong is highly competitive and fragmented with over 500 contractors registered under the category of “finishing wet trades” and “marbles, granite and stone work” in the Subcontractors Registration Scheme of the Construction Industry Council. In 2016, the Hong Kong wet trades market was dominated by main contractors which are the leading players, and the top five market players accounted for approximately 33.2% of the total market share in terms of total industry revenue in 2016. Our Group held approximately 3.0% of the market share in the Hong Kong wet trades market in 2016. The total revenue generated from wet trades market in Hong Kong accounted for approximately 2.5% of the revenue generated from overall construction industry in Hong Kong in 2016. For details, please refer to the section headed “Industry Overview – Competitive Landscape of Hong Kong Wet Trades Industry” of this prospectus. Our Directors believe that our Group is well-positioned to capture more business opportunities for the wet trades market in Hong Kong.

SUMMARY AND HIGHLIGHTS

COMPETITIVE STRENGTHS

We believe the following competitive strengths, details of which are set out in the section headed “Business – Competitive strengths” in this prospectus, contribute to our success and differentiate us from our competitors: (i) long-term and stable relationship with our major customers and suppliers; (ii) our commitment to maintaining high safety and environmental management standards and stringent quality controls; (iii) well established presence and proven track record in the wet trades industry in Hong Kong; and (iv) experienced and professional management team.

BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objective is to further strengthen our position as an established subcontractor for wet trades works in Hong Kong and to create long-term Shareholder’s value. We intend to achieve our business objective by the following business strategies, details of which are set out in the sections headed “Business – Business strategies” in this prospectus: (i) expanding our market share and competing for more wet trades projects; (ii) further strengthening our manpower; and (iii) acquisition of additional machinery and equipment.

SUMMARY OF FINANCIAL INFORMATION

The following table summarises the financial information of our Group during the Track Record Period, which is extracted from the Accountants’ Report set out in Appendix I of this prospectus. The summary financial data should be read in conjunction with the financial information included in the Accountants’ Report set out in Appendix I of this prospectus.

Highlights of combined statements of profit or loss and other comprehensive income

	Year ended 31 March	
	2016	2017
	HK\$’000	HK\$’000
Revenue	267,408	285,430
Direct costs	<u>(247,393)</u>	<u>(255,612)</u>
Gross profit	20,015	29,818
Other income and gain	17	71
Administrative and other operating expenses	(5,238)	(13,691)
Finance costs	<u>(62)</u>	<u>(177)</u>
Profit before income tax	14,732	16,021
Income tax expense	<u>(2,411)</u>	<u>(3,465)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	<u>12,321</u>	<u>12,556</u>

SUMMARY AND HIGHLIGHTS

Revenue

Our Group's revenue was derived from performing wet trades works as a subcontractor. All of our projects during the Track Record Period were located in Hong Kong. We undertook projects in both public and private sectors. Our Group classifies public sector projects as projects in which ultimate employer(s) is a government department or a statutory body while private sector projects refer to those that are not public sector projects. The following table sets forth the breakdown of our revenue by public and private sectors during the Track Record Period:

	Year ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Private sector	235,189	88.0	258,260	90.5
Public sector	<u>32,219</u>	12.0	<u>27,170</u>	9.5
	<u><u>267,408</u></u>	100.0	<u><u>285,430</u></u>	100.0

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

	For the year ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Residential buildings	191,030	71.4	212,253	74.4
Community facilities <i>(Note)</i>	41,323	15.5	54,213	19.0
Public housing	25,050	9.4	15,999	5.6
Commercial buildings	<u>10,005</u>	<u>3.7</u>	<u>2,965</u>	<u>1.0</u>
	<u><u>267,408</u></u>	<u><u>100.0</u></u>	<u><u>285,430</u></u>	<u><u>100.0</u></u>

Note: Community facilities include hospital, police office and other community facilities.

Residential buildings

Our revenue from residential buildings increased by approximately HK\$21.2 million or 11.1%, from approximately HK\$191.0 million for the year ended 31 March 2016 to approximately HK\$212.3 million for the year ended 31 March 2017. The increase was primarily due to (i) new projects awarded during the year ended 31 March 2017; (ii) increase in revenue recognised for Project A008 and; (iii) on the other hand, the increase of revenue was partially offset by the completion of Project E002.

SUMMARY AND HIGHLIGHTS

Community facilities

Our revenue from community facilities increased by approximately HK\$12.9 million or 31.2%, from approximately HK\$41.3 million for the year ended 31 March 2016 to approximately HK\$54.2 million for the year ended 31 March 2017. The increase was primarily due to the increase in revenue recognised from Project E003 and we also received additional variation orders for the project.

Public housing

Our revenue from public housing decreased by approximately HK\$9.1 million or 36.1%, from approximately HK\$25.1 million for the year ended 31 March 2016 to approximately HK\$16.0 million for the year ended 31 March 2017. The decrease was primarily due to the decrease in revenue recognised from Project A004 as it was near completion which major works were performed during the year ended 31 March 2016.

Commercial buildings

Our revenue from commercial buildings decreased by approximately HK\$7.0 million or 70.4% from approximately HK\$10.0 million for the year ended 31 March 2016 to approximately HK\$3.0 million for the year ended 31 March 2017. The decrease was primarily due to the decrease in revenue recognised from Project D001 as it was completed in December 2016.

Gross profit and gross profit margin

Our gross profit margin of each individual project depends on a number of factors, including but not limited to tender price, scope of work, technical complexity, variation orders and work schedule required by our customers, and therefore varies from project to project.

During the years ended 31 March 2016 and 2017, our gross profit was approximately HK\$20.0 million and HK\$29.8 million respectively, and our gross profit margins were approximately 7.5% and 10.4% for the years ended 31 March 2016 and 2017 respectively.

SUMMARY AND HIGHLIGHTS

The following table sets forth our gross profits and gross profit margins by building types during the Track Record Period:

	Year ended 31 March			
	2016			2017
	Gross Profit Margin <i>HK\$'000</i>	Gross Profit Margin <i>%</i>	Gross Profit Margin <i>HK\$'000</i>	Gross Profit Margin <i>%</i>
Residential buildings	11,614	6.1	18,062	8.5
Community facilities <i>(Note)</i>	3,327	8.1	9,895	18.3
Public housing	4,502	18.0	1,493	9.3
Commercial buildings	<u>572</u>	5.7	<u>368</u>	12.4
	<u>20,015</u>	7.5	<u>29,818</u>	10.4

Note: Community facilities include hospital, police office and other community facilities.

Highlights of combined statements of financial position

	As at 31 March	
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets	1,342	2,182
Current assets	86,281	106,151
Current liabilities	68,166	66,730
Non-current liabilities	410	–
Net Current assets	18,115	39,421
Net assets	19,047	41,603

SUMMARY AND HIGHLIGHTS

Highlights of combined statements of cash flows

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
Operating cash flows before changes in working capital	16,019	19,512
Net cash generated from/(used in) operating activities	18,111	(7,836)
Net cash (used in)/generated from investing activities	(14,037)	12,844
Net cash generated from/(used in) financing activities	<u>17,297</u>	<u>(7,267)</u>
Net increase/(decrease) in cash and cash equivalents	21,371	(2,259)
Cash and cash equivalents at the beginning of the year	<u>4,031</u>	<u>25,402</u>
Cash and cash equivalents at the end of the year	<u><u>25,402</u></u>	<u><u>23,143</u></u>

We derived our cash flow from operating activities primarily through receipt of payments for our wet trades works provided. Cash outflow to operating activities primarily comprises payment for purchases of materials and tools, staff costs and subcontracting charges. Our net cash from operating activities reflects our profit before taxation, as adjusted for non-cash such as depreciation and provision for impairment of trade receivables and retention receivables, and the effects of changes in working capital items.

The credit term offered by our major subcontractors is approximately seven days. We, however, typically offer to our customers a credit period ranging from approximately 17 days to 35 days. Hence, there are often time lags between making payments to our subcontractors and receiving payments from our customers, resulting in possible cash flow mismatch.

For further details about our cash positions, please refer to the section headed "Financial Information – Liquidity and capital resources".

SUMMARY AND HIGHLIGHTS

Summary of financial ratios

	Year ended 31 March	
	2016	2017
Profitability ratios		
Gross profit margin ⁽¹⁾	7.5%	10.4%
Net profit margin ⁽²⁾	4.6%	4.4%
Return on equity ⁽³⁾	64.7%	30.2%
Return on total assets ⁽⁴⁾	14.1%	11.6%
Liquidity ratio		
Current ratio ⁽⁵⁾	1.3	1.6
Capital adequacy ratios		
Interest coverage ⁽⁶⁾	238.6	91.5
Gearing ratio ⁽⁷⁾	4.3%	15.0%

Notes:

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective year multiplied by 100%.
2. The net profit margin is calculated by dividing the net profit by the revenue for the respective year multiplied by 100%.
3. Return on equity equals the net profit divided by the total equity as at the end of the respective periods multiplied by 100%.
4. Return on assets is calculated by the net profit divided by the total assets as at the end of the respective periods multiplied by 100%.
5. The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective periods.
6. Interest coverage is calculated by the profit from operations divided by finance costs for the respective year.
7. The gearing ratio is calculated by dividing total obligations under finance leases and total bank borrowings with total equity as at the end of respective periods multiplied by 100%.

Our net profit margin was 4.6% and 4.4% for the years ended 31 March 2016 and 2017 respectively. For wet trade works, it was primarily labour intensive and our subcontracting charges represented major portion of our direct costs, which accounted for approximately 86.8% and 87.6% of our direct costs during the years ended 31 March 2016 and 2017 respectively. As we aimed at controlling our quality of work performed and maintaining our well established reputation, we selected subcontractors with better technical capability, experience and reputation, despite of limited source of skilled labour in Hong Kong. With

SUMMARY AND HIGHLIGHTS

considered to the cost structure and the industry environment in Hong Kong, to the best of our Directors' knowledge, our net profit margin during the Track Record Period was considered as reasonable within the industry of wet trade works.

Please refer to the section headed "Financial Information – Analysis of selected financial ratio" in this prospectus for further analysis.

SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), each of our ultimate Controlling Shareholders, Mr. Eric Tse and Mr. CK Tse, acting in concert as a group of Controlling Shareholders and through Land Noble (an investment holding company owned as to 50% by Mr. Eric Tse and 50% by Mr. CK Tse) indirectly held in aggregate 75% interest in our Company. Please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus for further details.

THE SHARE OFFER AND THE OFFER STATISTICS

The Share Offer comprises the Public Offer of 15,000,000 Shares initially offered in Hong Kong, and the Placing of 135,000,000 Shares (subject, in each case, to re-allocation and the Offer Size Adjustment Option on the basis as described in the section headed "Structure and conditions of the Share Offer" in this prospectus).

	Based on the Offer Price of HK\$0.43 per Offer Share	Based on the Offer Price of HK\$0.49 per Offer Share
Market Capitalisation (<i>Note 1</i>)	HK\$258 million	HK\$294 million
Unaudited pro forma adjusted net tangible assets per Share (<i>Note 2</i>)	HK\$0.14	HK\$0.15

Notes:

1. The calculation of the market capitalisation of the Shares is based on 600,000,000 Shares in issue and to be issued immediately after completion of the Share Offer but does not take into account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
2. For the calculation of the unaudited pro forma adjusted combined net tangible asset value per Share attributable to the Shareholders, please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

SUMMARY AND HIGHLIGHTS

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer, assuming the Offer Size Adjustment Option is not exercised and assuming an Offer Price of HK\$0.46 per Share (being the mid-point of the indicative Offer Price range of HK\$0.43 to HK\$0.49), will be approximately HK\$40.0 million. Our Directors presently intend to apply the remaining net proceeds as follows:

Intended applications	Approximate amount of net proceeds	Utilised by year/ period ending
Taking out surety bonds for contracts that we plan to tender for after Listing	HK\$19.7 million or approximately 49.3%	30 September 2019
Recruitment of three site agents, four assistant site agents, two assistant quality surveyors, two safety officers and an accountant	HK\$7.7 million or approximately 19.2%	31 March 2019
Purchase of machinery and equipment comprising 14 forklifts, 24 plaster spraying machines and 1,800 sets of related parts to satisfy our project needs	HK\$7.5 million or approximately 18.7%	31 March 2020
Repayment of our bank overdraft facility	HK\$3.1 million or approximately 7.9%	31 March 2018
General working capital	HK\$2.0 million or approximately 5.0%	N/A

For details of our future plans and use of proceeds, please refer to the section headed “Statement of Business Objectives and Use of Proceeds” in this prospectus.

Please also refer to the section headed “Statement of Business Objectives and Use of Proceeds – Reasons for the Share Offer” in this prospectus for detailed reasons for our Listing.

LISTING EXPENSES

Assuming the Offer Size Adjustment Option is not exercised and assuming the Offer Price of HK\$0.46 per Share, being the mid-point of our indicative price range for the Share Offer stated in this prospectus, the total listing expenses are estimated to be HK\$29.0 million, of which approximately HK\$5.1 million was recognised as listing expenses in our combined statements of profit or loss for the year ended 31 March 2017. We expect to incur

SUMMARY AND HIGHLIGHTS

additional listing expenses of approximately HK\$13.6 million which will be recognised as listing expenses for the year ending 31 March 2018. The balance of approximately HK\$10.3 million is expected to be recognised as a deduction in equity upon Listing.

In view of the above, our Directors are of the view that the one-off listing expenses, which are non-recurring in nature, will have a material adverse effect on the financial results of our Group for the interim period of the six months ending 30 September 2017 and the year ending 31 March 2018. We wish to emphasise that the aforesaid amount of listing expenses is a current estimate for reference only and the final amount to be recognised in our combined statements of profit or loss for the year ending 31 March 2018 will be subject to adjustments based on audit and changes in variables and assumptions.

DIVIDENDS

During the Track Record Period, we did not declare any dividends. After completion of the Share Offer, while we currently have no plan to pay any dividend to the Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. We will re-evaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

As at 31 March 2017, our Company had no distributable reserves available for distribution to our shareholders.

PRINCIPAL RISK FACTORS

Our Group believes that there are certain risks and uncertainties involved in its operations, some of which are beyond our Group's control. They can be broadly categorised into risks relating to our business and risks relating to the industry in which we operate. Potential investors are advised to read the section headed "Risk Factors" in this Prospectus carefully before making any investment decision in the Share Offer. Some of our major risks include:

- personal injuries, property damages or fatal accidents may occur if safety measures are not followed at the construction sites;
- our revenue is mainly derived from projects which are non-recurrent in nature and any failure of our Group to secure tender contracts would affect our operations and financial results;

SUMMARY AND HIGHLIGHTS

- error or inaccurate estimation of project duration and costs when determining the tender price may result in substantial loss incurred by us;
- our past revenue and profit margin may not be indicative of our future revenue and profit margin;
- if progress payment or retention money is not paid to us in full as a result of disputes over our work done, our liquidity position may be adversely affected;
- cash inflows and outflows in connection with construction projects may be irregular, thus may affect our net cash flow position;
- working capital requirements associated with undertaking wet trades works and failure by customers to make timely or full payments may lead to liquidity risk;
- our performance depends on trends and developments in the wet trades industry;
- our performance depends on market conditions and the general economic and political conditions in Hong Kong; and
- we operate in a relatively competitive environment.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking wet trades works in Hong Kong. As at the Latest Practicable Date of this prospectus, we had 26 projects on hand (including contracts in progress as well as contracts awarded to us but not yet commenced). Please refer to the section headed “Business – Our Projects – Our Project backlog – Projects on hand” in this prospectus for further details. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. We expect to recognise revenue of approximately HK\$286.9 million and HK\$235.0 million for the two years ending 31 March 2019 based only on our contracts on hand. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Based on the budget costs of each project, our Directors expect that our overall gross profit margin for the year ending 31 March 2018 to be at similar levels to that recorded during the Track Record Period. Accordingly, our Directors currently expect an increase in our revenue and gross profit for the year ending 31 March 2018.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have been awarded with 9 additional contracts with an aggregate contract sum of approximately HK\$238.0 million. Our Directors consider that our Group is well-positioned to take on new wet trades projects and believe that the expected increase in construction of buildings, the

SUMMARY AND HIGHLIGHTS

Government's support to increase land and housing supply, the Government's support on urban renewal and urbanisation in the northeastern part of the New Territories would boost the demand of our services and favour the growth of our Group.

As far as our Directors are aware, there has been no other changes in the general economic or market conditions or in the construction market in Hong Kong as a whole, which would have a material and adverse impact on our business operations or financial condition since 31 March 2017 and up to the Latest Practicable Date.

Save and except for the Listing expenses as disclosed above, our Group did not have any significant non-recurrent items in our combined statements of comprehensive income subsequent to the Track Record Period. Our results of operations for the interim period of the six months ending 30 September 2017 and the year ending 31 March 2018 are expected to be significantly affected by the non-recurring listing expenses as disclosed in the section headed "Financial Information – Listing Expenses" in this prospectus.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on the profit and loss accounts has posed a material adverse change in the financial or trading position or prospect of our Group since 31 March 2017 (being the date of the latest audited combined financial statements were made up). Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the interim period of the six months ending 30 September 2017 and the year ending 31 March 2018.

Save as disclosed in the paragraph headed "Listing Expenses" in this section of this prospectus, our Directors confirmed that since 31 March 2017 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report.

LITIGATION AND REGULATORY COMPLIANCE

Our Directors confirmed that to the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, our Group recorded 39 personal injury accidents:-

- (i) three employees' compensation and personal injury claims under common law;
- (ii) 35 personal injury accidents whose time limit for filing a claim pursuant to the Employees' Compensation Ordinance or a personal injury claim under common law has not yet passed; and
- (iii) one personal injury accident which the relevant employees' compensation and personal injury claims had been settled.

SUMMARY AND HIGHLIGHTS

Please refer to the section headed “Business – Litigation and potential claims” in this prospectus for further details.

NON-COMPLIANCE

During the Track Record Period, our Group had failed to conduct safety audit in accordance with the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong). For details, please refer to the section headed “Business – Non-compliance” of this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“Accountants’ Report”	the accountants’ report set out in Appendix I to this prospectus
“Acting in Concert Confirmation”	the confirmation dated 9 May 2017 executed by our Controlling Shareholders (other than Land Noble) whereby they confirmed their acting in concert arrangements as further detailed in the section headed “Relationship with our Controlling Shareholders – Acting in Concert Confirmation” in this prospectus
“Ample”	Ample Orient Capital Limited, one of the joint lead managers for the Share Offer and a corporation licensed under SFO to engage type 1 (dealing in securities) regulated activities
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), or where the context so requires, any of them
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 14 September 2017, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of our Board
“Board” or “our Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the allotment and issue of 449,990,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “3. Resolutions in writing of the sole Shareholder passed on 14 September 2017” in Appendix IV to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“ChaoShang”	ChaoShang Securities Limited, one of the joint lead managers for the Share Offer and a corporation licensed under the SFO to engage type 1 (dealing in securities) and type 2 (dealing in future contracts) regulated activities
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to “China” or “PRC” do not include Hong Kong, Macau Special Administrative Region 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 (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on 3 March 2014, as amended, modified and supplemented from time to time

DEFINITIONS

“Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice”	the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance” or “CWUMPO”	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”, “our”, “our Company”, “we” or “us”	Noble Engineering Group Holdings Limited (怡康泰工程集團控股有限公司) (formerly known as Noble Engineering Holdings Limited (高豐工程控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 12 April 2017
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“connected transaction”	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 and unless the context otherwise requires, means Mr. Eric Tse, Mr. CK Tse and Land Noble
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 14 September 2017 entered into by the Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of other members of our Group) as further detailed in the paragraph headed “13. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition undertaking dated 14 September 2017 entered into by the Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of other members of our Group) as further detailed in the section headed “Relationship with our Controlling Shareholders – Deed of Non-Competition” in this prospectus

DEFINITIONS

“Director(s)”	the director(s) of our Company
“Eric Tse Cement Works”	Eric Tse Cement Works Company Limited (振源泥水工程有限公司), a company incorporated in Hong Kong on 8 October 1997 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Frost & Sullivan”	Frost & Sullivan International Limited, an independent market research agency
“Frost & Sullivan Report”	a market research report commissioned by us and prepared by Frost & Sullivan on the overview of the industries in which our Group operates
“FY2016”	the financial year ended 31 March 2016
“FY2017”	the financial year ended 31 March 2017
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange, as amended, modified and supplemented from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Government”	the government of Hong Kong
“Group”, “we”, “us” or “our”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the businesses operated by such subsidiaries (as the case may be)
“H&S”	Head & Shoulders Securities Limited, the sole bookrunner and one of the joint lead managers for the Share Offer and a corporation licensed under the SFO to engage type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
“HKICPA”	the Hong Kong Institute of Certified Public Accountants

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar of our Company
“IC Adviser”	CT Partners Consultants Limited
“independent third party(ies)”	individual(s) or company(ies) who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of our Company, the directors, chief executive or substantial shareholders of our Company and our subsidiaries or any of their respective associates
“Joint Lead Managers”	H&S, Kingsway Financial, ChaoShang and Ample
“Kingsway Financial”	Kingsway Financial Services Group Limited, one of the joint lead managers of the Share Offer and a corporation licensed under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities
“Land Noble”	Land Noble Holdings Limited (高地控股有限公司), a company incorporated in the BVI on 5 January 2017 with liability limited by shares, which is owed as to 50% by Mr. Eric Tse and 50% by Mr. CK Tse and is one of our Controlling Shareholders
“Latest Practicable Date” or “LPD”	12 September 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Legal Counsel”	Mr. Chan Chung (陳聰先生), barrister-at-law of Hong Kong, who is an independent third party

DEFINITIONS

“Listing”	listing of the Shares on GEM
“Listing Date”	the date, expected to be on or about 29 September 2017, on which dealings in the Shares first commence on GEM
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 14 September 2017, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“Mr. CK Tse”	Mr. Tse Chun Kuen (謝振乾), an executive Director and one of our Controlling Shareholders
“Mr. Eric Tse”	Mr. Tse Chun Yuen (謝振源), an executive Director, the chairman of the Board and one of our Controlling Shareholders
“Ms. Tse”	Ms. Tse Ming Hei (謝鳴禧), an executive Director and our chief executive officer of our Company
“Noble Wisdom”	Noble Wisdom Holdings Limited (高智控股有限公司), a company incorporated in the BVI on 5 January 2017 with liability limited by shares and a direct wholly-owned subsidiary of our Company upon completion of Reorganisation
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.49 per Share and expected to be not less than HK\$0.43 per Share, at which the Offer Shares are to be offered under the Share Offer, to be determined in the manner as set out in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Offer Share(s)”	collectively, the Public Offer Shares and the Placing Shares

DEFINITIONS

“Offer Size Adjustment Option”	the option granted by our Company to and exercisable by the Sole Bookrunner at any time on or before the Business Day immediately before the date of the allotment results announcement to require our Company to allot and issue up to an aggregate of 22,500,000 additional Shares as described in the section headed “Structure and conditions of the Share Offer – Offer Size Adjustment Option” in this prospectus
“Placing”	the conditional placing of the Placing Shares at the Offer Price for and on behalf of our Company to professional, institutional and other investors as described under the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Shares”	the 135,000,000 new Shares initially offered by our Company for subscription under the Placing, subject to reallocation and the Offer Size Adjustment Option, as described under the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Underwriters”	the underwriters that are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into on or about 25 September 2017 by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor and the Placing Underwriters relating to the Placing
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record and determine the Offer Price
“Price Determination Date”	the date, expected to be on or around 25 September 2017, or such other date as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the other Underwriters, on which the Offer Price is determined by entering into the Price Determination Agreement

DEFINITIONS

“Public Offer”	the issue and offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 15,000,000 new Shares (subject to reallocation) initially offered by our Company for subscription in the Public Offer as described under the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer, whose names are set out under the paragraph headed “Underwriting – Public Offer Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 18 September 2017 relating to the Public Offer entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor and the Public Offer Underwriters relating to the Public Offer
“Regulation S”	Regulation S under the US Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation arrangements implemented by our Group in preparation for the Listing which is more particularly described in the section headed “History, Development and Reorganisation” of this prospectus
“Safety Auditor”	Mr. Wong Ka Man, a registered safety auditor
“Safety Consultant”	Garron Holdings Limited, an external safety consultant
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time

DEFINITIONS

“Share(s)” or “our Share(s)”	ordinary share(s) with nominal or par value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on GEM
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 14 September 2017, the principal terms of which are summarised in the paragraph headed “12. Share Option Scheme” in Appendix IV to this prospectus
“Sole Bookrunner”	H&S
“Sole Sponsor” or “Kingsway Capital”	Kingsway Capital Limited, a licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sole sponsor of the Listing and an independent third party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules and details of our Substantial Shareholders are set out in the section headed “Substantial Shareholders” in this prospectus
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, modified and supplemented from time to time
“Tax Adviser”	Prism CPA Limited
“Track Record Period”	the two financial years ended 31 March 2016 and 2017
“Underwriters”	the Public Offer Underwriter(s) and the Placing Underwriter(s), details of which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time

DEFINITIONS

“WHITE Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name
“YELLOW Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“%”	per cent
“sq.ft.”	square foot
“sq.m.”	square meter(s)

Unless otherwise specified, all references to any shareholding in the Company in this prospectus assume the Offer Size Adjustment Option or any options as may be granted under the Share Option Scheme are not exercised.

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

GLOSSARY

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

“aggregates”	construction aggregates and material formed from a mass of fragments or particles loosely compacted together, including gravel, crushed stone or slag used in wet trades works
“Building Authority”	has the meaning ascribed to it under the Buildings Ordinance and, as at the Latest Practicable Date, means the Director of Buildings of the Government
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)
“Census and Statistics Department”	Census and Statistics Department of the Government
“Construction Industry Council”	the Construction Industry Council in Hong Kong, a statutory body established on 1 February 2007 pursuant to the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	ISO 9001 is an internationally recognised standard for the Quality Management System of businesses. It aims at the effectiveness of the Quality Management System in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing

GLOSSARY

“ISO 14001”	ISO 14001 is an internationally recognised standard for the Environmental Management of businesses. It aims at recognising the desirable behaviour of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“OHSAS 18001”	OHSAS 18001 is an internationally recognised specification for Occupational Health and Safety Management System. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
“private sector projects”	works contracts that are not public sector projects
“public sector projects”	works contracts that originate from the Government or statutory bodies
“quotation”	the type of contracts with customers secured by request for quotation from customers
“schedule of rates”	a set of general regulations and special conditions governing the execution of work and payment for works performed
“SOPL”	Security of Payment Legislation for the Construction Industry
“subcontractor”	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction
“tender contract”	the type of contracts with customers obtained by tendering which usually require recurring services for a specific period and details of which are set out under the section headed “Business – Customers – Major terms of engagement with our customers” of this prospectus
“wet trades”	in respect of our business, generally refer to tile laying, brick laying, plastering, floor screeding and marble works

FORWARD-LOOKING STATEMENTS

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

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

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

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk factors”, “Business”, “Financial information” and “Statement of Business Objectives and Use of Proceeds” of this prospectus.

Subject to the requirements of the applicable laws, rules and regulations, our Company does not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions to prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

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

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

Personal injuries, property damages or fatal accidents may occur if safety measures are not followed at the construction sites

In the course of our operations, we require our employees and subcontractors to adhere to and implement all the safety measures and procedures as stipulated in our work and safety policy. We monitor and supervise closely our employees in the implementation of all such safety measures and procedures during execution of works. However, we cannot guarantee that our employees or subcontractors will not violate the applicable laws, rules or regulations. If any such employees or subcontractors fails to comply with our safety measures at the construction sites, personal injuries, property damage or fatal accidents may occur in greater numbers and/or to a serious extent. Please refer to the section headed “Business – Occupational health and safety – System of recording and handling accidents and our safety compliance record” in this prospectus for further information on the material accidents we encountered during the Track Record Period. These may adversely affect the financial position of our Group to the extent not fully recoverable from our insurance policies. They may also cause our relevant licence and/or certifications to be suspended or not renewed.

Furthermore, public project tenders are generally evaluated by taking into account a number of factors, which include without limitation the subcontractor’s compliance records with the relevant laws and regulations. We may also be subject to inspections by the relevant Government departments (e.g. Labour Department) from time to time and these inspections may lead to formal charge(s) against our Group. Non-compliance and conviction records may affect our chance of winning future bids.

Our revenue is mainly derived from projects which are non-recurrent in nature and any failure of our Group to secure tender contracts would affect our operations and financial results

During the Track Record Period, our revenue is derived from contracts awarded through competitive tendering and is not recurring in nature. The contract period for our projects generally ranges from 6 months to 24 months. We generally submit new tenders or bid for new contracts from time to time and there is a risk that we may not succeed in tendering for new projects upon the expiry of our contract. Moreover, there is no assurance that the terms and conditions of the new contracts would be comparable to the existing contracts or our tenders would be selected by customers. In the competitive tendering process, we may have to lower our service charges or offer more favourable terms to our

RISK FACTORS

customers in order to increase the competitiveness of our tenders. If we are unable to reduce our costs accordingly and maintain our competitiveness, our results of operations would be adversely affected. Furthermore, so far as our Directors are aware, most of our customers have maintained an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that we will meet our customers' tendering requirements in which case we may not be granted the tender and our reputation, business operations, financial condition and results of operations may be adversely affected

For the two years ended 31 March 2017, we recorded a tender success rate of approximately 13.3% and 14.0%, respectively. There is no assurance that our Group could achieve the same or higher tender success rate in the future as we did in the past. As at the Latest Practicable Date, we have established business relationships with a majority of our top five customers during the Track Record Period for around 6 to 19 years. However, the future results of our operation may be impacted due to changes in relationships with our major customers. In the event that our Group fails to secure new contracts or there is a significant reduction of contracts for bidding in the future, the business and financial positions and prospects of our Group could be materially and adversely affected.

Error or inaccurate estimation of project duration and costs when determining the tender price may result in substantial loss incurred by us

Construction contracts are normally awarded through a competitive tendering process. We determine a tender price by estimating the construction costs under the contract duration as specified in the tender invitation documents. There is no assurance that tenders submitted by us contain no mistake and error. Such mistakes and errors may be in the form of inaccurate estimation, oversight of important tender terms, inadvertent typographical errors, errors in calculations, etc. In case of contracts awarded to us with mistakes or errors in the submitted tender, we may be bound by the contract to undertake the project at a substantial loss.

Inaccurate estimation on project schedule, project costs and technical difficulties in the tendering process may result in cost overruns when we actually execute the awarded project. Many factors affect the time taken and the costs actually involved in completing construction projects undertaken by us. Examples of such factors include shortage and cost escalation of labour and materials, difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers, stringent technical construction requirements, threatened claims and material disputes with main contractors, subcontractors and suppliers, accidents, and changes in the Government's policies. Other unforeseen problems or circumstances may also occur during project implementation. If any of such factors arises and remains unresolved, completion of construction works may be delayed or we may be subject to cost overruns or our customers may even be entitled to unilaterally terminate the contract.

RISK FACTORS

Most of our contracts contain specific completion schedule requirements and liquidated damages provisions (i.e. we may be liable to pay the customer liquidated damages if we do not meet the schedules). Any failure to meet the schedule requirements of our contracts could cause us to pay significant liquidated damages, which would reduce or eliminate our profit expected from the relevant contracts.

A project may be delayed or its costs may be increased because of delays during the process of obtaining any specific permits or approvals from relevant agencies or authorities of the Government. Failure to complete construction according to specifications and quality standards may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the construction project concerned. Such delays or failure to complete and/or unilateral termination of a contract by customers may cause our revenue or profitability to be lower than we originally expected. We cannot guarantee that we will not encounter cost overruns or delays on our current and future construction projects. If such cost overruns or delays occur, we may experience increases in costs exceeding our budget or be required to pay liquidated damages, hence reduction in or elimination of the profits on our contracts.

Our past revenue and profit margin may not be indicative of our future revenue and profit margin

For the two years ended 31 March 2017, our revenue amounted to approximately HK\$267.4 million and HK\$285.4 million, respectively; our gross profit amounted to approximately HK\$20.0 million and HK\$29.8 million, respectively (representing gross profit margin of approximately 7.5% and 10.4%, respectively); while our net profit amounted to approximately HK\$12.3 million and HK\$12.6 million, respectively (representing net profit margin of approximately 4.6% and 4.4%, respectively).

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and to control our costs. Profit margins for our contracts may fluctuate from project to project due to factors such as the amount of labour resources required, the type of construction techniques and machinery employed. There is no assurance that our profit margins in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margins.

If progress payment or retention money is not paid to us in full as a result of disputes over our work done, our liquidity position may be adversely affected

We normally receive progress payment from our customers. Progress payment is generally made monthly by reference to the progress of works performed during the month. A portion of contract value (which generally is subject to a maximum of 5% of the total contract value) is usually withheld by our customers as retention money. Please refer to the section headed “Business – Customers – Major terms of engagement with our customers” in this prospectus for further details. As at 31 March 2016 and 2017, retention monies receivables of approximately HK\$22.1 million and HK\$28.9 million, respectively, were retained by our customers. There is no assurance that progress payment will always be

RISK FACTORS

certified and paid to us in full, or the retention money will be paid by our customers to us in full. Partial payment or failure by our customers to make remittance at all as a result of disputes over our works performed may have an adverse effect on our liquidity position.

Cash inflows and outflows in connection with construction projects may be irregular, thus may affect our net cash flow position

The credit term offered by our major subcontractors is approximately seven days. We, however, typically offer to our customers a credit period ranging from approximately 17 days to 35 days. Hence, there are often time lags between making payments to our subcontractors and receiving payments from our customers, resulting in possible cash flow mismatch. The extent of such cash flow mismatch is illustrated by the differences between our total amount of trade receivables and retention receivables, and trade payables. As at 31 March 2016 and 2017, our total amount of trade receivables and retention receivables were approximately HK\$33.7 million and HK\$45.2 million respectively, while our trade payables were approximately HK\$18.3 million and HK\$27.9 million respectively.

Cash flows from operating activities primarily consisted of our Group's revenues from wet trades projects undertaken by us. For the two years ended 31 March 2017, we recorded a net operating cash inflow/(outflow) of approximately HK\$18.1 million and HK\$(7.8) million, respectively.

In a wet trades project, net cash outflows to pay certain operating expenses (including subcontracting charges, payment for purchase of materials and staff costs) may not align with progress payments to be received from our customers at the relevant periods. Progress payments will be paid by customers after our wet trades works commence and are certified by our customers (or authorized persons employed by them). Accordingly, the cash inflow and outflow for a particular project may fluctuate as the construction works proceed. If during any particular period of time, there exist too many projects which require substantial cash outflow while we have significantly less cash inflows during that period, our cash flow position may be adversely affected. Further, 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 or significant cash outflow, our cash flow position may be adversely affected and 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.

Working capital requirements associated with undertaking wet trades works and failure by customers to make timely or full payments may lead to liquidity risk

When undertaking contract works, after we apply for payment from our customers, there is generally a verification process on works completed and we cannot guarantee that our customers will pay in a timely manner or the full amount invoiced by us. Furthermore, as we expand our market share and compete for more wet trades projects, some of our potential customers may require us to take out surety bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of our customers, which may result in the lock-up of a portion of our capital for potentially a prolonged period of time and thereby affecting our liquidity position. For further information, please refer to the section headed "Business – Business Strategies – Expanding

RISK FACTORS

our market share and competing for more wet trades projects” in this prospectus. If we fail to properly manage our liquidity position in view of such working capital requirements, our cash flows and financial position could be materially and adversely affected.

Acquisition of additional machinery and equipment may result in a significant increase in our depreciation charges

We plan to acquire additional machinery and equipment by utilising a portion of the net proceeds from the Share Offer so as to enhance our project management capability and our tender success rate. Please refer to the sections headed “Business – Business strategies” and “Statement of business objectives and use of proceeds” in this prospectus for details of the types of machinery and equipment to be purchased and the intended timing of deployment of the net proceeds from the Share Offer. As a result of the purchase of additional machinery and equipment, it is expected that additional depreciation will be charged to our profit or loss and may therefore affect our financial performance and operating results.

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

We subcontract substantial part of our works to other subcontractors. Please refer to the section headed “Business – Suppliers – Subcontractors” in this prospectus for further details. For the two years ended 31 March 2017, subcontracting charges incurred by us amounted to approximately HK\$214.8 million and HK\$224.1 million, respectively. There is no assurance that we are able to monitor the performance of these subcontractors as directly and efficiently as with our own staff. In addition, our inability to hire qualified subcontractors could hinder our ability to complete a project within the prescribed deadline.

Outsourcing exposes us to risks associated with non-performance, delayed performance or substandard performance by subcontractors or third parties. Accordingly, we may experience deterioration in the quality or delay in completion of our projects. We may also incur additional costs due to the delays or a higher price in sourcing the services, equipment or supplies in default. We are usually liable for our subcontractors’ default. These events may have impact upon our profitability, financial performance and reputation, as well as result in litigation or damages claims.

Our subcontractors may be exposed to charges in relation to violation of safety, environmental and/or employment laws and regulations which may affect their renewal of relevant licences or may even lead to revocation of their licences. If this happens in our projects, we will have to appoint another subcontractor(s) for replacement and thus additional costs may be incurred.

In the event that our subcontractors fail to follow the safety guidelines and other requirements imposed by our customers, we may be liable to pay to our customers the expenses and penalties incurred by them. For the two years ended 31 March 2017, we were charged with penalties in the amount of HK\$371,000 and HK\$567,000 by our customers, respectively. Although we are entitled to be indemnified from our subcontractors in relation to such penalties under the subcontracting agreement, we may not seek indemnity from such

RISK FACTORS

subcontractors in order to maintain a long-term relationship with our major subcontractors. In such event, we may be subject to additional costs and penalties incurred by our subcontractors in relation to their failure to comply with the safety procedures and other requirements imposed by our customers.

If our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may sometimes be subject to prosecutions as primary defendant by relevant authorities. For instance, under the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong), if a subcontractor employs an illegal immigrant on a construction site, the construction site controller (including but not limited to the principal or main contractor and the subcontractor) may be found to have committed an offence and liable to a fine. In addition, we may be liable to claims for losses and damages, if such violations cause any personal injuries/death or damage to properties. Moreover, pursuant to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), a principal contractor or a main contractor and every tier of subcontractors shall be jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Our operations and hence our financial position may be adversely affected if any of our subcontractors violate their obligations to pay their employees.

We may be liable to compensate our customers for losses and expenses incurred as a result of our failure to complete works on time

Our customers normally require us to complete the works within a specified period of time or in accordance with their project schedule. If we fail to do so, we may be liable to compensate our customers at a specified rate on a daily basis unless an extension of time is agreed with our customers. Any failure in the completion of a project, whether or not caused by us, could harm our reputation in the industry and hinder our ability to win future business. Our reputation, business and financial performance of operation could be adversely affected. Hence, there is a potential risk that our Group may be liable to pay significant amount of compensation, which would adversely affect our liquidity and cash flows and cause a material adverse impact on our business, financial condition, operations, reputation and prospect.

Our uninsured business operations and the continuing rise of insurance premium

There are certain types of losses for which insurance coverage is not generally available (such as risks in relation to our ability to secure new contractors, potential claims arising from latent defects liability, estimation and management of costs, subcontractors' performance, liquidity risk, collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, etc.) on commercial terms acceptable to us, or at all. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we have to bear such losses, damages or liabilities by ourselves. In that case, our business operations, financial condition and results of operations may be adversely affected.

RISK FACTORS

We also cannot guarantee that our insurance premiums will not rise or we will not be required by law or our customers to obtain additional insurance coverage. Any significant increase in insurance costs (such as an increase in insurance premiums) or reduction in coverage in the future may materially and adversely affect our business operations and financial results.

We depend on key management personnel

Our success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of senior management, in particular, our executive Directors are important to us. Details of their expertise and experience are set out in the section headed “Directors and Senior Management” in this prospectus. If any of our executive Directors ceases to be involved in the management of our Group in the future and our Group is unable to find a suitable replacement in a timely manner, there could be an adverse impact on our business, results of operation and profitability of our Group.

We are subject to credit risk in respect of our trade and other receivables

We normally provide our customers with a credit period ranging from 17 to 35 days. There can be no assurance that our customers will settle our invoices on time and in full. In addition, when undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Such percentage is generally 10%, subject to a ceiling of up to 5% of the total contract sum of the projects in general. Retention money withheld is normally released to us upon completion and the expiry of the defect liability period. However, there can be no assurance that such retention money will be released by our customers to us on a timely basis and in full accordingly.

As at 31 March 2016 and 2017, we recorded trade receivables of approximately HK\$11.6 million and HK\$16.3 million respectively, of which approximately HK\$3.9 million and HK\$4.5 million, respectively, have been past due but not impaired. As at 31 March 2016 and 2017, we recorded retention receivables of approximately HK\$22.1 million and HK\$28.9 million respectively. For each of the two years ended 31 March 2017, our trade receivables turnover days were approximately 11.9 days and 17.8 days respectively.

We had concentration of credit risk as approximately 11.0% and 10.3% of our total net trade receivables as at 31 March 2016 and 2017, respectively, were due from our largest customer in respective financial year, and approximately 97.8% and 33.6% from our five largest customers. The aggregate amounts of our net trade receivables amounted to approximately HK\$1.3 million and HK\$1.7 million from our largest customer in respective financial year, and HK\$11.3 million and HK\$5.5 million from our five largest customers, as at 31 March 2016 and 2017 respectively. Any difficulty in collecting a substantial portion of our trade and other receivables could materially and adversely affect our cash flows and financial positions.

RISK FACTORS

We are exposed to claims arising from latent defects liability

We do not maintain any defects liability insurance and we may face claims arising from latent defects that are existing but not yet active, developed or visible, found in the works which are constructed by us. If there is any significant claim against us for defects liability of any default or failure of our services by our customers or other party, our profitability may be adversely affected.

If any defect is claimed under the defect liability period, the amount claimed by our customers or rectification costs on the defects incurred by us will be charged to profit or loss and deducted against the retention money withheld by our customers (i.e. retention receivable) when those costs are incurred. If the defect is found and claimed by our customers after the defect liability period, we will assess the possible obligation arising from the claim. Such obligation will be recognised as liability in the statement of financial position if the obligation is considered highly probable and the obliged amount can be reliably measured. Otherwise, such claim will be disclosed as contingent liability.

We are subject to environmental liability

Our business is subject to the environmental regulations and guidelines issued by the Government, which apply to the operation of all construction projects (including wet trades projects) in Hong Kong. Such regulations and guidelines may be amended by the Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines could impose additional cost and burden to us.

It is not uncommon in our industry to have numerous construction disputes and litigation. Our performance may be adversely affected by such construction disputes and litigation

It is not uncommon in our industry to have construction disputes and litigation. We may be in disputes with our customers, subcontractors, suppliers, workers and other parties in connection with our projects for various reasons. Such disputes may be in connection with late completion of works, delivery of substandard works, personal injuries or labour compensation in relation to the works. Please refer to the section headed “Business – Litigation and Potential Claims” in this prospectus for further information on litigation and potential claims we encountered during the Track Record Period.

The handling of contractual disputes, litigation and other legal proceedings may sometimes involve a high degree of our management’s attention and input. Handling of legal proceedings and disputes can be both costly and time-consuming, and may significantly divert the efforts and resources of our management.

In addition, the outcomes of legal proceedings or disputes are influenced by, among others, negotiation skills, knowledge and judgment of our management. Our Group, to a large extent, relies on the relevant expertise and qualification of our management (including our executive Directors) in dealing with contractual disputes, litigation and arbitration. Should any claims against us fall outside the scope and/or limit of our insurance coverage or monies retained from subcontractors, our financial position may be adversely affected.

RISK FACTORS

Our business plans and strategies may not be successful or achieved within the expected time frame or within the estimated budget

We intend to further expand our market share by competing more wet trades projects and enhance our manpower and machinery in order to cope with the expected increase in demand for our wet trades services. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

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

Our business operations could be affected by weather conditions. If inclement weather conditions persist or a natural disaster occurs, we may be prevented from performing works at our construction sites, and we thereby fail to meet specified time schedule. If we have to halt operations during inclement weather conditions or a natural disaster, we may continue to incur operating expenses even while we experience reduced revenues and profitability. Besides, our business is subject to outbreak of severe communicable diseases (such as swine flu, avian flu, severe respiratory syndrome, Ebola virus disease and Zika virus disease), natural disasters or other acts of God which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society in Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our operations and destroy our works performed. If any such incident occurs, our revenue, costs, financial conditions and growth potentials will be adversely affected. It is also difficult to predict the potential effect of these incidents and their materiality to our business as well as those of our customers, suppliers and subcontractors.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our performance depends on trends and developments in the wet trades industry

Our operations are principally located in Hong Kong during the Track Record Period. The future growth and level of profitability of the wet trades industry in Hong Kong depend on the market conditions, the general conditions and prospects of Hong Kong's economy. If there is any recurrence of recession in Hong Kong, our operations and profitability could be adversely affected. In addition, any change in the existing political environment in Hong Kong may bring about instability of its economy, thereby adversely affects the construction industry in which we operate.

Our performance depends on market conditions and the general economic and political conditions in Hong Kong

The future growth and level of profitability of the wet trades industry in Hong Kong depend primarily upon the continued availability of construction projects. The availability of construction projects from the public sector or private sector will be determined by the

RISK FACTORS

interplay of a variety of factors. These factors include the Government's spending patterns on the construction industry in Hong Kong and its land supply and public housing policy, the approval of the relevant budgets and plans on construction projects by the Legislative Council of Hong Kong, the investment of property developers. If there is any changes in Hong Kong's land supply and public housing policy, the demand for wet trades works in Hong Kong may deteriorate and our operations and profitability could be adversely affected.

We operate in a relatively competitive environment

The wet trades industry in Hong Kong is competitive and fragmented with over 500 contractors registered under the category of "finishing wet trades" and "marbles, granite and stone work" in the Subcontractors Registration Scheme of the Industry Council Construction. For more information, please refer to section headed "Industry Overview – Competitive Landscape of Hong Kong Wet Trades Industry" in this prospectus. Some of the major market players may have significantly more resources and are better positioned than our Group, including but not limited to having a long operating history, better financing capabilities and well developed and technical expertise. New participants may wish to enter the industry provided that they have the appropriate skills, local experience, necessary machinery, capital and they are granted the requisite licences or approvals by the relevant regulatory bodies. Increased competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

Rising costs of construction workers and shortage of labour may increase our costs and affect our performance

Construction works are generally labour-intensive in nature. However, the construction industry in Hong Kong is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. According to the Frost & Sullivan Report, the average wage of construction workers in wet trades industry in Hong Kong increased from HK\$867.4 per day in 2011 to HK\$1,209.3 per day in 2016, representing a CAGR of approximately 6.9%. If labour costs in Hong Kong keep increasing, our costs may increase in the future, which could materially and adversely affect our business operations and financial conditions.

Moreover, there is no assurance that the supply of labour will be sufficient during the forthcoming years to meet the peak load of construction activities. Our subcontracting costs including labour costs of our subcontractors may escalate. Even if there is a significant increase in the labour costs, we have to retain our labour (likewise our subcontractors retain their labour) by increasing the wages. The staff cost and/or subcontracting cost will thus increase and our profitability may be reduced. On the other hand, if we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on time, resulting in our liability on liquidated damages and/or compensation for financial losses of other parties.

RISK FACTORS

Industrial actions or strikes may affect our business

A construction project is divided into various disciplines, and each requires highly specialised labour. Industrial action of any one discipline may disrupt the construction progress. There is no assurance that industrial actions or strikes will not be launched in the future. Such industrial actions or strikes may adversely impact our business performance and hence the profitability and results of our operation.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Share and the liquidity, market price and trading volume of the Share may be volatile

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal with, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's turnovers, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents happened to our Group, loss of key personnel, litigation, fluctuations in the market prices for the products or the raw materials of our Group, the liquidity of the market for the Shares, the general market sentiment regarding the wet trades industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

Investors may experience dilution if our Group issues additional Shares in the future

Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. In addition, our Group may need to raise additional funds in the future to finance business expansion, new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

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

There is no guarantee that the Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of the Controlling

RISK FACTORS

Shareholders, may have on the market price of the Shares. Sales of a substantial number of Shares by any of the Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

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

Our Company is incorporated in the Cayman Islands and its affairs are governed by, among other things, the Articles of Association, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minority shareholders is set out in Appendix III to this prospectus.

Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

RISKS RELATING TO THIS PROSPECTUS

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

Certain facts, statistics, and data presented in the section headed "Industry Overview" and elsewhere in this prospectus relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Frost & Sullivan, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sole Sponsor, nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources are prepared on a comparable basis or that such information and statistics are stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

RISK FACTORS

Investors should read this 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 including, in particular, any financial projections, valuations or other forward looking statement

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sole Sponsor, the Sole Bookrunner and the Joint Lead Managers and the Underwriters, our directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties 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 disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Share Offer. You should rely only on the information contained in this prospectus.

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 CWUMPO, 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 about our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE SHARE OFFER

This prospectus is published solely in connection with the Share Offer and the listing of the Shares on GEM, which is sponsored by the Sole Sponsor and managed by the Sole Bookrunner and the Joint Lead Managers.

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

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

APPLICATION FOR LISTING OF OUR SHARES ON GEM

Our Company has applied 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 any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any option which may be granted under the Share Option Scheme.

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.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Under section 44B(1) of the CWUMPO, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on GEM is 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 us by the Stock Exchange.

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). A total of 150,000,000 Offer Shares, representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Share Offer and the Capitalisation Issue and upon Listing (without taking into account the Shares to be allotted and issued upon the exercise of the Offer Size Adjustment Option or the exercise of any options to be granted under the Share Option Scheme).

ABOUT THE SHARE OFFER

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives or any other persons involved in the Share Offer.

The delivery of this prospectus should not, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply the information contained in this prospectus is correct as at the date subsequent to the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for application for 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.

FULLY UNDERWRITTEN

This prospectus is published in connection with the Share Offer. The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. The Share Offer is managed by the Sole Bookrunner and the Joint Lead Managers. Further information relating to the Underwriters and the Share Offer and the underwriting arrangements is set out in the section headed “Underwriting” of this prospectus.

If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” of this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Public Offer Shares are offered to the public for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

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

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

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.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

HONG KONG REGISTER AND STAMP DUTY

Our principal share register will be maintained by the principal share registrar in the Cayman Islands. Dealings in the Shares on GEM will be registered on our Hong Kong branch share register maintained in Hong Kong by Boardroom Share Registrars (HK) Limited.

Only Shares registered on our Hong Kong branch share register maintained by the Hong Kong Branch Share Registrar in Hong Kong may be traded on GEM. Dealings in our Shares registered on our branch share register in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealings in our Shares, you should consult your professional advisers. None of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors and any other person involved in the Share Offer accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealings in our Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on GEM and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on GEM or, under contingent situation, such other date HKSCC chooses. 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, interest and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

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

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Friday, 29 September 2017.

Our Shares will be traded in board lots of 10,000 Shares each. The stock code for our Shares is 8445. We will not issue temporary documents of title.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

CURRENCY TRANSLATIONS

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

$$\text{US\$1.00} = \text{HK\$7.80}$$

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

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Tse Chun Yuen (謝振源)	Flat A, 46/F. Tower 1 Bellagio, 33 Castle Peak Road New Territories Hong Kong	Chinese
Mr. Tse Chun Kuen (謝振乾)	Flat A, 45/F. Tower 1 Bellagio, 33 Castle Peak Road New Territories Hong Kong	Chinese
Ms. Tse Ming Hei (謝鳴禧)	Flat A, 46/F. Tower 1 Bellagio, 33 Castle Peak Road New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Wong Yiu Kwong Kenji (黃耀光)	Flat 6A Lai Kwan Court 438 Castle Peak Road Cheung Sha Wan Kowloon Hong Kong	Chinese
Ms. Chung Lai Ling (鍾麗玲)	Flat C, 27/F. I Uniq Grand 157 Shau Kei Wan Road Shau Kei Wan Hong Kong	Chinese
Mr. Tang Chi Wai (鄧智偉)	Flat RA, 47/F. Tower 5, R Wing (Water Lilies) Le Prestige, Lohas Park Tseung Kwan O New Territories Hong Kong	Chinese

For further information on the profile and background of our Directors, please refer to the section “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sole Sponsor

Kingsway Capital Limited

7/F, Tower One, Lippo Centre
89 Queensway, Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

Sole Bookrunner

Head & Shoulders Securities Limited

Room 2511, 25/F Cosco Tower
183 Queen's Road Central, Hong Kong

Joint Lead Managers

Head & Shoulders Securities Limited

Room 2511, 25/F Cosco Tower
183 Queen's Road Central, Hong Kong

Kingsway Financial Services Group Limited

7/F, Tower One, Lippo Centre
89 Queensway, Hong Kong

ChaoShang Securities Limited

Rooms 4001-4002, 40/F, China Resources Building
26 Harbour Road, Wanchai, Hong Kong

Ample Orient Capital Limited

Room A, 17/F, Fortune House
61 Connaught Road Central, Central, Hong Kong

Co-Lead Manager

Grand Partners Securities Limited

9/F, Connaught Harbourfront House
35-36 Connaught Road West, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal adviser to our Company	<i>As to Hong Kong law</i> Guantao & Chow Solicitors and Notaries Suites 1604-6, 16th Floor ICBC Tower, 3 Garden Road Central, Hong Kong <i>(Solicitors of Hong Kong)</i> <i>As to Cayman Islands law</i> Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong
Legal advisers to the Sole Sponsor, Sole Bookrunner, the Joint Lead Managers and the Underwriters	<i>As to Hong Kong law</i> D. S. Cheung & Co. 29/F., Bank of East Asia Harbour View Centre 56 Gloucester Road, Wanchai Hong Kong <i>(Solicitors of Hong Kong)</i>
Reporting accountants	HLB Hodgson Impey Cheng Limited 31/F, Gloucester Tower The Landmark 11 Pedder Street Central, Hong Kong <i>(Certified Public Accountants)</i>
Internal control consultant	CT Partners Consultants Limited Unit 1601A, 16/F Tower 6, China Hong Kong City 33 Canton Road Tsimshatsui, Kowloon Hong Kong
Industry consultant	Frost & Sullivan International Limited Suite 1706, 17th Floor One Exchange Square 8 Connaught Place Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Compliance adviser

Kingsway Capital Limited
7/F, Tower One, Lippo Centre
89 Queensway, Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

Receiving bank

**Industrial and Commercial Bank of China
(Asia) Limited**
33/F., ICBC Tower
3 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

Registered office	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Room 809, 8/F. Cheung Sha Wan Plaza, Tower II 833 Cheung Sha Wan Road Cheung Sha Wan, Kowloon, Hong Kong
Company's website	www.nobleengineering.com.hk (Information contained in this website does not form part of this prospectus)
Authorised representatives	<p>Ms. Tse Ming Hei (謝鳴禧) Flat A, 46/F. Tower 1 Bellagio, 33 Castle Peak Road New Territories Hong Kong</p> <p>Mr. Tsoi Chi Hei (蔡志熙), HKICPA Flat A, 3/F. Kam Wo Building 3-15 Shun Lung Street Sha Tau Kok New Territories Hong Kong</p>
Company secretary	Mr. Tsoi Chi Hei (蔡志熙), HKICPA Flat A, 3/F. Kam Wo Building 3-15 Shun Lung Street Sha Tau Kok New Territories Hong Kong
Compliance officer	Ms. Tse Ming Hei (謝鳴禧) Flat A, 46/F. Tower 1 Bellagio, 33 Castle Peak Road New Territories Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Tang Chi Wai (鄧智偉) (<i>Chairman</i>) Ms. Chung Lai Ling (鍾麗玲) Mr. Wong Yiu Kwong Kenji (黃耀光)
Remuneration Committee	Ms. Chung Lai Ling (鍾麗玲) (<i>Chairman</i>) Ms. Tse Ming Hei (謝鳴禧) Mr. Tang Chi Wai (鄧智偉)
Nomination Committee	Mr. Tse Chun Yuen (謝振源) (<i>Chairman</i>) Ms. Chung Lai Ling (鍾麗玲) Mr. Wong Yiu Kwong Kenji (黃耀光)
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Boardroom Share Registrars (HK) Limited 31/F, 148 Electric Road North Point Hong Kong
Principal banker	DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen's Road Central Central, Hong Kong

INDUSTRY OVERVIEW

This section contains information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading in any material respect or that any material fact has been omitted that would render such information false or misleading.

The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer and none of them give any representations as to its accuracy or correctness.

SOURCE OF INFORMATION

Our Group had commissioned Frost & Sullivan to provide information on the Hong Kong wet trades industry. Our Group agreed to pay a fee of HK\$450,000 to Frost & Sullivan for the report. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report.

RESEARCH METHODOLOGY

In compiling and preparing the research report, Frost & Sullivan conducted primary research including interviews with industry experts and participants and secondary research which involved reviewing the statistics published by the government official statistics, International Trade Centre, industry publications, annual reports and data based on its own database. Frost & Sullivan presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Frost & Sullivan assumed that the social, economic and political environment in Hong Kong is expected to remain stable.

ABOUT FROST & SULLIVAN

Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training. Its industry coverage includes industrial and machinery, automotive and transportation, chemicals, material and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics and technology, media and telecom. The Frost & Sullivan Report includes information on data of the wet trades industry in Hong Kong.

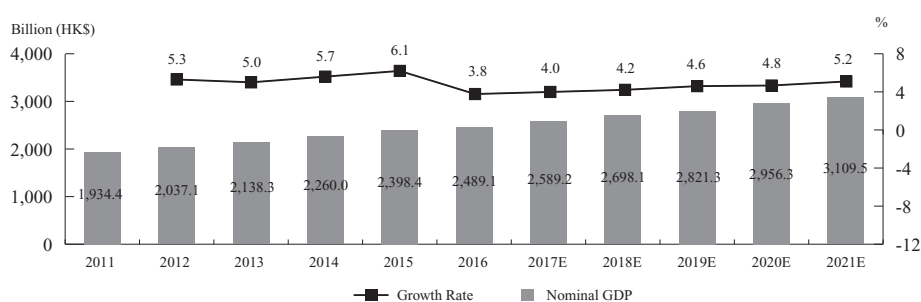
INDUSTRY OVERVIEW

OVERVIEW OF HONG KONG MACROENVIRONMENT

Nominal GDP and Per Capita Nominal GDP

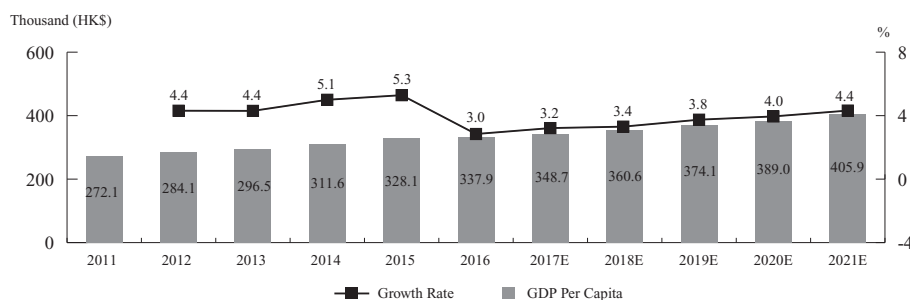
From 2011 to 2016, Hong Kong has experienced steady growth in its economy. Nominal GDP increased from HK\$1,934.4 billion in 2011 to HK\$2,489.1 billion in 2016 at a CAGR of 5.2%. It is expected to reach HK\$3,109.5 billion by the end of 2021, growing at a CAGR of 4.7% during 2017-2021. GDP per capita has increased steadily from 2011 to 2016 at a CAGR of 4.4% from HK\$272.1 thousand to HK\$337.9 thousand. By the end of 2021, it is estimated that growth rate will slow down slightly to 3.9%, reaching HK\$405.9 thousand per capita.

Nominal GDP in Hong Kong, 2011-2021E



Source: International Monetary Fund, Frost & Sullivan

Per capita nominal GDP in Hong Kong, 2011-2021E



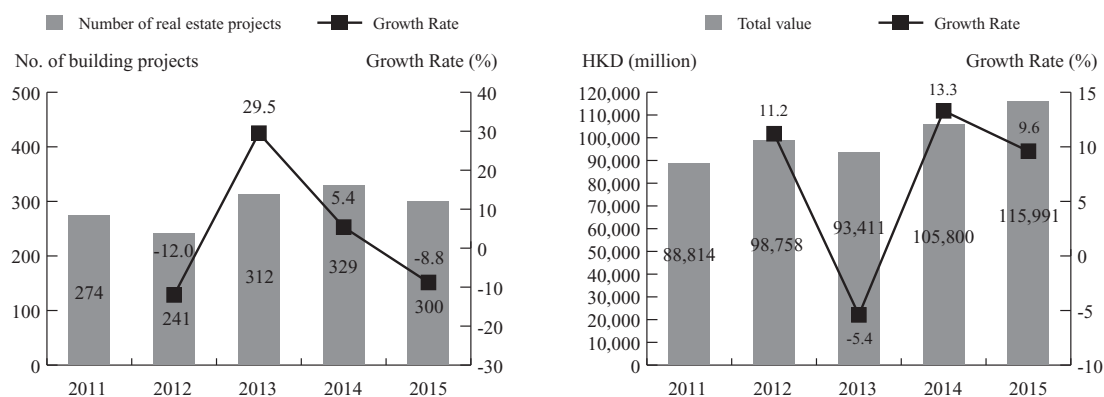
Source: International Monetary Fund, Frost & Sullivan

Total Value and Number of Real Estate Projects

The number of real estate projects increased moderately from 274 in 2011 to 300 in 2015. In order to drive the stagnant property market, the HKSAR Government established 10 measures in its Policy Address in 2013, including utilising 36 sites, including Government, Institution or Community (“GIC”) sites and other Government sites for housing developments as well as rezoning industrial land for residential use. Benefiting from the policies and implementations, the number of real estate projects rebounded to 312 with a

INDUSTRY OVERVIEW

total project value of HK\$93,411 million in 2013. The change in the number of real estate projects has an direct impact on the sustainability of the construction industry as well as the wet trades industry.

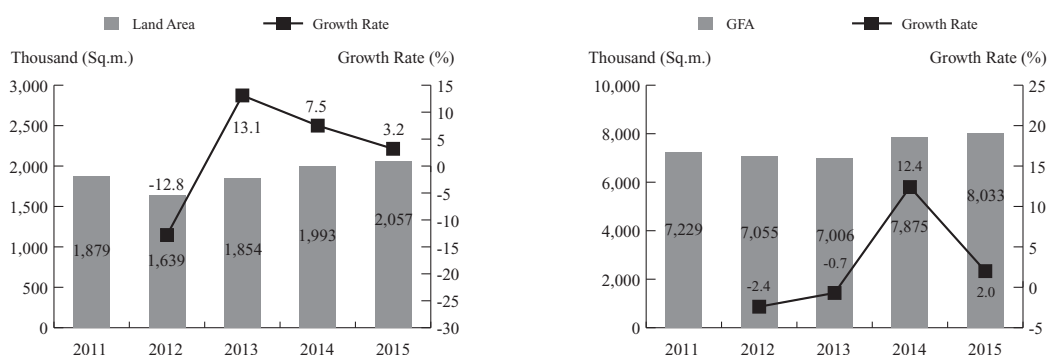


Source: Census and Statistics Department of Hong Kong

Note: 2015 is the latest data available

Land Area and GFA of Real Estate Projects

From 2011 to 2015, land area of real estate projects increased at a CAGR of 2.3% from 1,879 thousand square metres to 2,057 thousand square metres, whereas, gross floor area (“GFA”) of buildings also followed the same upward trend, growing at a CAGR of 2.7% from 7,229 thousand square metres in 2011 to 8,033 thousand square metres. The increase of land area and GFA implies that more potential floor area is expected to require flooring services, including wet trades work, which helps drive the wet trades industry in Hong Kong.



Source: Census and Statistics Department of Hong Kong

Note: 2015 is the latest data available

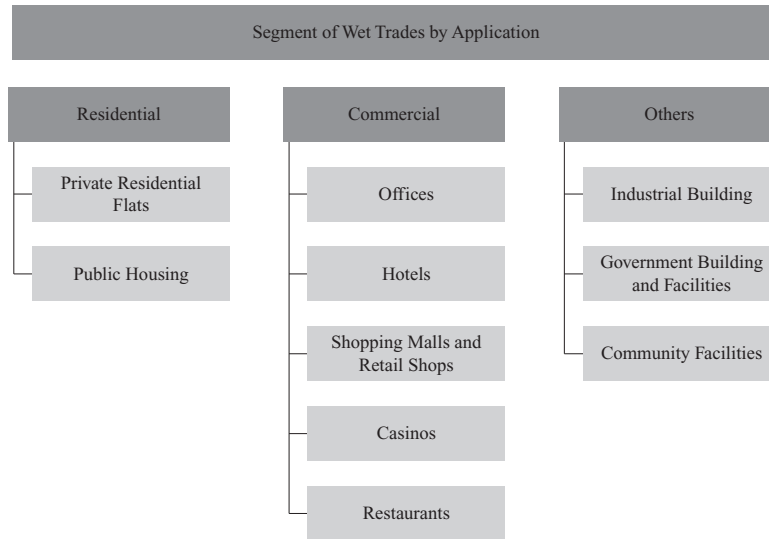
OVERVIEW OF HONG KONG WET TRADES INDUSTRY

Definition and Classification of Wet Trades Industry

Wet trades is the subset of fitting-out works. It is generally involved in the interior fitting, decoration and repairs for buildings in Hong Kong, and particularly it refers to tile laying, brick laying, plastering, floor screeding and marble works.

INDUSTRY OVERVIEW

The demand for wet trades is mainly originated from the renovation, maintenance and construction of buildings in residential and commercial segments.

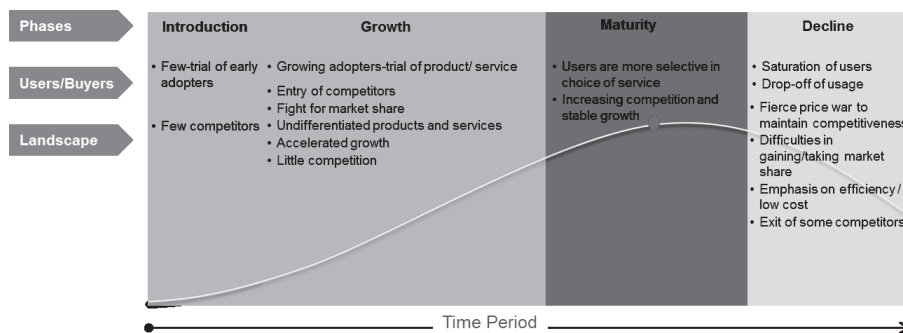


Note: Others also include the unclassified facilities and buildings not included in the above chart.

Source: Frost & Sullivan

Industry Lifecycle

Driven by the increase in residential flats supply and continued urban renewal, the wet trades in Hong Kong continue to develop as a mature industry. The engagement model among the players throughout the value chain is well-built that the division of labour and specialisation is found. The effective resource deployment and systematic project management further support the development of the wet trades industry in Hong Kong.



Source: Frost & Sullivan

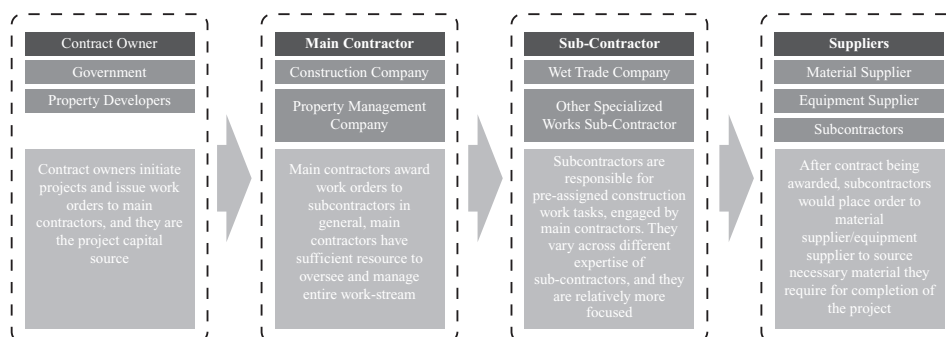
Value Chain Analysis

Wet trades is a part of construction works, with government departments or private property developers playing as decision makers. For wet trades in private sector, the property developers generally tender for service providers under contracts based on the needs of the project.

INDUSTRY OVERVIEW

Principal contract is a contract entered into between the property developers and main contractors, pursuant to which the said main contractor shall be responsible for providing services in connection with wet trades of the properties within particular district(s) and a specific timeframe in accordance with the terms and conditions thereof.

Sub-contract is the term contract entered into between the main contractors and the subcontractors, pursuant to which the said subcontractor shall be responsible for providing services in connection with wet trades.



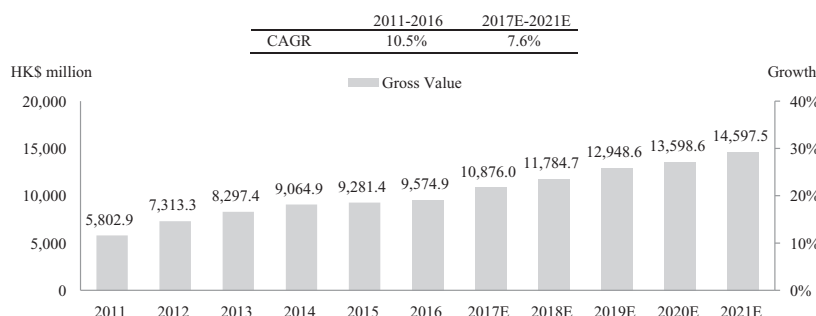
Source: Frost & Sullivan

Market Size of Wet Trades

The estimated gross value of wet trades in Hong Kong increased from HK\$5,802.9 million in 2011 to HK\$9,574.9 million in 2016, representing a CAGR of 10.5%, which is attributed to the sustained growth in the residential flats market and redevelopment of office buildings and flats in the urban renewal.

The expediting redevelopment plans and increasing supply of residential flat would continue to sustain the demand for wet trades, which is principally performed in the new works and construction of buildings. It is expected that the estimated value of wet trades would reach HK\$14,597.5 million in 2021, demonstrating the CAGR of 7.6% from 2017 to 2021.

Gross Value of Wet Trades in Hong Kong, 2011-2021E



Source: Frost & Sullivan

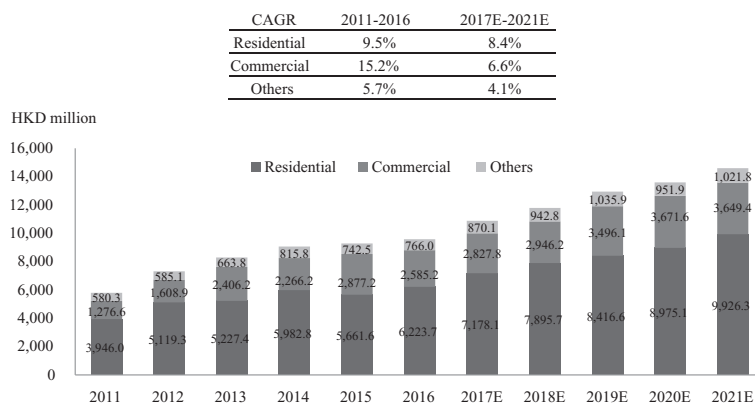
INDUSTRY OVERVIEW

Market Size of Wet Trades by Segment

The gross value of wet trades market in residential sector increased from HK\$3,946.0 million in 2011 to HK\$6,223.7 million in 2016 at the CAGR of 9.5%. In terms of gross value, the wet trades market in residential sector took up 65.0% share of the total gross value of the wet trades market in 2016.

With the rising supply of land, the residential segment is expected to record the rapid growth in the market of wet trades in Hong Kong. By the end of 2021, the gross value of wet trades in the residential segment is forecasted to reach HK\$9,926.3 million, with a CAGR of 8.4% from 2017 to 2021. Accordingly, the market share of residential segment in the wet trades market is expected to be 68.0%.

Gross Value of Wet Trades in Hong Kong by Segment, 2011-2021E



Source: Frost & Sullivan

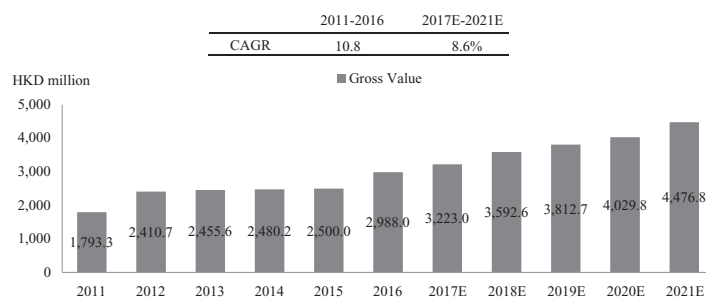
Market Size of Wet Trades in Private Residential Segment

The gross value of wet trades market in private residential sector recorded an increase from HK\$1,793.3 million in 2011 to HK\$2,988.0 million in 2016 at the CAGR of 10.8%, which is primarily driven by the healthy development of the private property market and increase in private home supply.

To meet the rising needs for home supply, policies are formulated in stabilising the residential property market through provision of steady land supply and facilitating the expansion of the private residential properties, from sales and tenancy practices to development of new residential flats. It is expected that the wet trades for private residential market would rise to HK\$4,476.8 million in 2021, representing a CAGR of 8.6% from 2017 to 2021.

INDUSTRY OVERVIEW

Gross Value of Wet Trades for Private Residential in Hong Kong, 2011-2021E



Source: Frost & Sullivan

Costs Structure Analysis

Costs of Raw Materials

Portland cement, river sand and aggregates have traditionally been the main types of raw materials required for wet trades.

However, river sand and aggregates, which are scarce natural resource, have gradually been depleted. Given that the main source of river sand and aggregates used in Hong Kong originate from Guangdong Province, where the local government has imposed export quotas to ease the local shortages as demand outstrips supply, Hong Kong is facing occasional fluctuations in the supply of river sand and aggregates. In response to this, construction companies in Hong Kong tend to stock up river sand and aggregates to ensure there is no shortage of river sand and aggregates to satisfy the project needs.

From 2011 to 2016, the average wholesale price of major materials in wet trades industry experienced an upward trend. The wholesale price of Portland cement (ordinary) per tonne increased from HK\$662.9 in 2011 to HK\$717.7 in 2016 at the CAGR of 1.6%. The wholesale price of river sand per tonne reaches HK\$137.7 in 2016, demonstrating a CAGR of 11.3% from 2011 to 2016 while the aggregates recorded an increase at the CAGR of 4.1% from HK\$56.7 per tonne in 2011 to HK\$69.3 per tonne in 2016.

Average Wholesale Price of Major Materials in Wet Trades Industry in Hong Kong (2011-2016)

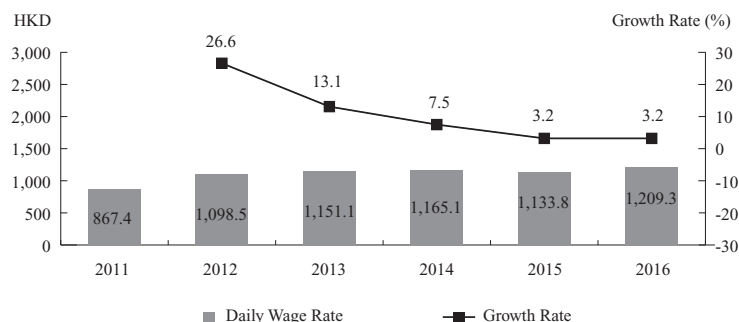
Material (HK\$)	Unit	2011	2012	2013	2014	2015	2016	CAGR 2011-2016
Portland cement (ordinary)	Tonne	662.9	690.3	698.5	720.4	739.2	717.7	1.6%
River sand	Tonne	80.7	114.1	120.8	118.9	146.6	137.7	11.3%
Aggregates	Tonne	56.7	60.2	60.3	67.5	78.6	69.3	4.1%

Labour Cost

From 2011 to 2016, the average daily wage rate of workers in wet trades industry in Hong Kong has a progressive growth from HK\$867.4 in 2011 to HK\$1,209.3 in 2016, demonstrating the CAGR of 6.9% during the period. The prolonged imbalance between the demand and supply of experienced construction workers in Hong Kong is the reason for the continuous increase in the daily wage rate of the workers, and the wet trades industry is no exception.

INDUSTRY OVERVIEW

Average Daily Wage Rate of Workers in Wet Trades Industry in Hong Kong (2011-2016)



Source: Frost & Sullivan

Key Market Drivers

Increasing Construction of Buildings

Wet trades work is one of the derived demand from building construction. Increase in building construction resulting from rising land supply, increasing housing, accelerated urbanisation process and revitalisation of industry buildings, which are mainly driven by favourable Government policy, represents the key drivers for the wet trades industry. From 2016 to 2021, it is expected that the number of newly completed building projects (with occupation permits granted) will rise at a CAGR of about 2.1% to reach 255 by the end of 2021, due to the increasing construction of residential and non-residential buildings which is expected to continue to trigger the demand for wet trades services as needed in new construction and refurbishment of buildings and facilities.

Support from Government and Favourable Housing Policies

The Development Bureau and Transport and Housing Bureau have been working to increase land supply and housing. For example, Town Planning Board relaxed the development intensity of 41 housing sites (which is expected to result in additional supply of approximately 7,750 units) by the end of 2015. Such policy is also heavily emphasised in 2016 policy addressed by the Government. In the coming five years, some 97,100 public housing units and about 87,000 private housing units will be built. The policy is believed to increase a significant quantity of building units and regarded as one of the crucial factors driving the wet trades industry in Hong Kong.

Urban Renewal

Today, there are approximately 110,000 people living in poor conditions in Hong Kong, where their flats are smaller than 47 square metres. Hence, the Government has injected HK\$10 billion to regenerate and renovate old urban areas such as Lai Chi Kok, Kwun Tong and Tsuen Wan in the past five years to upgrade buildings and improve the quality of life. These involved the construction of new buildings and restructuring and flooring work of existing buildings which required laying of tiles, cement and sand, and therefore increased the demand for wet trades work in Hong Kong.

INDUSTRY OVERVIEW

Higher Customer Requirement

In order to increase sales of flat units, quality and durability of building materials and construction works have become major criteria for building contractors in choosing sub-contractors and materials suppliers to reduce maintenance costs and hassle. Better quality buildings also score higher when it comes to building valuation, increasing households requirement on building appearance and its useful life, which has helped develop the importance of high quality wet trades work in Hong Kong.

Key Future Trends

Higher Industry Standard

Wet trades work is necessary in all sorts of construction projects from residential buildings to industrial floors and public areas. Changing consumer preference (e.g. higher durability and cost efficiency) has driven improvement on wet trades work operational procedures, which is emphasised by large-scale main contractors and land developers. Therefore, it is expected that the industry will have a higher standard towards standardisation on quality of materials used, craftsmanship and work procedures.

Higher Market Concentration

The future wet trades industry is expected to become more concentrated with a decreasing number of players. This is mainly due to the fact that small-scale players tend to have limited resources and immature network and logistics management capability, which force them out of the market as the market matures. As a result, the market is expected to be left with more competitive players who have developed their wet trades work specialties, contractor network and project management capabilities.

More Usage of Machinery

The construction industry in general is a labour-intensive one which requires significant amount of labour and high-quality craftsmanship. Due to labour shortage in the construction industry in Hong Kong which has pushed up wages and the newly implemented “designated workers for designated skill” requirement of the Construction Workers Registration Ordinance (CWRO), which puts pressure on construction companies to hire skilled labour, it is expected that construction companies will increasingly use machinery to replace labour so as to lower labour costs. For example, for wet trades work, some of the plastering procedures can be done by machinery such as using plaster spray machines to replace manual operation.

Market Opportunities

Renovation of Old Areas in Hong Kong

Building construction has been one of the major drivers of the growth of the gross value construction industry, which saw a CAGR of 9.4%, for the period of 2011-2016. Not only did new buildings contribute to this growth, renovation of old buildings in Hong Kong

INDUSTRY OVERVIEW

also provided part of the revenue stream to the construction industry. Due to government support on urban renewal, in the future, renovation work is expected to provide growth potentials and bring opportunities to the wet trades industry.

Urbanisation in the New Territories

Urbanisation of the northeastern part of New Territories has been essential in the government's housing policies to ease housing and land shortage in Hong Kong. It is estimated that the development plan could provide 54,000 residential units, in which 23,000 units will be public housing, by the end of 2022. On the other hand, this plan is expected to reduce the population density in other urban areas in Kowloon and Hong Kong Island caused by increasing population in the future. Therefore, this is expected to boost the demand for building materials such as cement and concrete as well as flooring services including wet trades in Hong Kong.

Market Constraints

Labour Shortage and Increasing Operating Costs

The prolonged labour shortage has been one of the major constraints in the construction industry in Hong Kong. In order to ease the shortage issue, the industry has seen continued improvement on the wages to increase labour supply. As a result, this has pushed up the average wage level in the construction industry, which laid huge pressure on construction companies as it increases operating costs. However, the problem is expected to persist as fewer young workers are willing to engage in this industry nowadays, therefore wages are expected to continue to rise for a period of time.

Potential Fluctuations of Material Supply

In Hong Kong, building materials such as cement are mainly imported from mainland China as most of the production facilities have been long relocated to mainland China. Therefore, Hong Kong wet trades companies have to rely heavily on imported materials. Under circumstances where demand surged and supply could not meet demand, construction projects had to be held up and postponed, which caused huge losses. Unless wet trades companies have a warehouse to stock up inventory (such as river sand and aggregates), which most of them have not, they would face potential risks when there was shortage of supply.

Entry Barriers

Track Record

Track record is one of the most important entry barriers for the wet trades industry of Hong Kong. A proven track record and reputation possessed by subcontractors enable them to satisfy customers' requirement and maintain a solid customer base from main contractors that support a sustainable development of the business. New entrants with little work experience and short track records are not easily accepted by customers.

INDUSTRY OVERVIEW

Long-term Relationship with Main Contractors

In Hong Kong, the private property developers often engage main contractors in construction projects. It is crucial for wet trades service providers in Hong Kong to establish good long-term relationships with the main contractors. In order to gain trusts from the main contractors, companies need to have long track records to prove their stability, reliability and follow-up service capabilities. On the other hand, once the capabilities are recognised by the main contractors, the wet trades service providers will not be easily replaced. Therefore, it is difficult for new entrants to establish long-term and interdependent relationships with the main contractors.

Competitive Management Team and Sufficient Capital Flow

Competitive management team is another key competitive factors for the wet trades service providers. A great management team has a rich management experience as well as the strong networking in the market. It is difficult for the new entrants to build such management team. Moreover, sufficient capital flow is important for wet trades service providers to satisfy their operational and capital needs. In addition, large amount of capital is required for the issuance of surety bonds for the sizable property projects. Failure to make timely payments for production or construction costs may delay project schedules and affect their credibility.

COMPETITIVE LANDSCAPE OF HONG KONG WET TRADES INDUSTRY

Overview of Competitive Landscape

Overall, the wet trades industry in Hong Kong is a highly competitive and fragmented market. As of the Latest Practicable Date, there were over 500 contractors registered under the category of “Finishing Wet Trades” and “Marble, Granite and Stone Work” in the Subcontractors Registration Scheme of the Construction Industry Council. It is a industry norm that project employers and main contractors prefer the subcontractors to be registered in the Subcontractors Registration Scheme of the Construction Industry Council, which have demonstrated a proven track record in wet trades, financial capability and industry recognition.

In Hong Kong, the wet trades industry sees a high level of subcontracting whereby the secondary contractors further outsource the wet trades projects from the main contractors to other subcontractor. It is a common practice for the main contractors to subcontract the large scale projects to other contractors with specialist licenses or capabilities in certain areas, such as wet trades, based on the track records, reputation, quality of works and execution capacities. To do so, it is easier for main contractors to have a great control of project budget plan. In the private sectors, the leading main contractors tender for the projects from property developers, which are then assigned to one or more subcontractors. The main contractors prefer to cooperate with subcontractors on their own tender list, based on long-established business relationship and proven track record in project delivery, which would save the time and cost in coordination and project management. The subcontractors on the tender list of leading main contractors, therefore, would have a more stable deal flow from the booming construction market than their counterparties. Some of the sizable

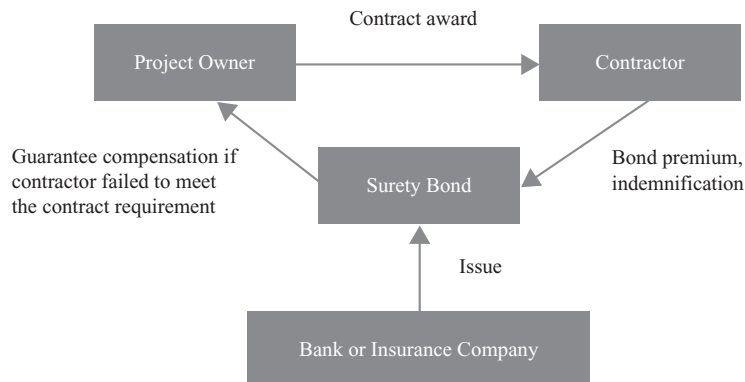
INDUSTRY OVERVIEW

sub-contractors would hold the responsibility of project management in the day-to-day operation in certain part of property development projects. By leveraging the local expertise in certain industry area and the flexibility of resource deployment, the subcontractors play important roles in project execution while the main contractors mainly focus on tendering for projects and project management, which in turn lead to the mutual reliance between the main contractors and subcontractors.

Most of the subcontractors in the industry compete for the wet trades projects from main contractors in subcontracting contracts in relation to wet trades. The wet trades subcontracting industry especially in private sector is, therefore, remarked by the fierce competition.

Most of the contracting projects in the construction industry require contractors to provide surety bonds and thus issuing surety bond is regarded as a market norm for building renovation and maintenance works. Contractors need surety on financial resources to back their commitment to completing the contract. Subcontractors may also be required to obtain surety bonds to help the main contractor to mitigate risk, particularly if the subcontractors hold a significant part of the job or are specialized contractors that are difficult to be replaced.

In respect of a surety bond provided by a bank, it is normally required deposit to the bank with a collateral sum equivalent to the amount guaranteed under the relevant surety bond. In respect of a surety bond given by an insurance company, while lesser collateral sum of deposit is required, insurance company generally requires a personal indemnity given by the shareholders of the subcontractor and a relatively higher premium and/or arrangement fee than those required by the bank for the issue of the surety bond.



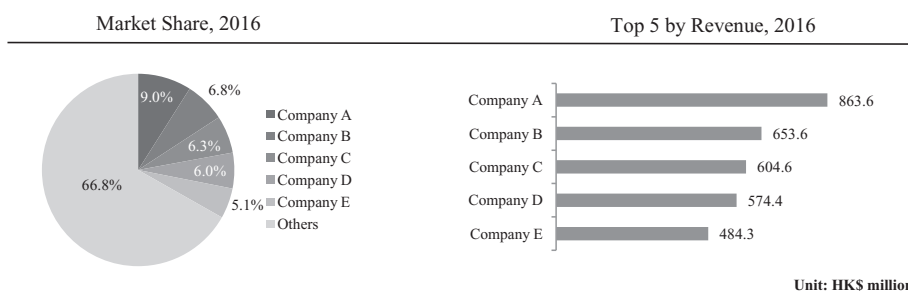
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Ranking of Top Five Market Players

The estimated gross value of construction works performed amounted to HK\$380.5 billion in 2016 and the gross value of wet trades contributed to approximately 2.5%. In 2016, the Hong Kong wet trades market was dominated by leading players, who usually act as main contractors, and the top 5 companies accounted for 33.2% of the total market in terms of revenue. Our Group held 3.0% of market share in the Hong Kong wet trades market in 2016. The following illustrated individual market share and revenue earned by the top five market players in the industry.

Top 5 Market Players in Hong Kong Wet Trades Market, 2016



Note:

Company A is one of Asia's longest-standing construction groups, providing comprehensive construction, property and related services

Company B is a leading contractor in Hong Kong which carries on the business of design and construction of building works and civil engineering works.

Company C undertakes roads and bridges construction, landscaping, plumbing engineering, hydraulic engineering, survey, design, decoration, and other works in the PRC, Hong Kong and Macau.

Company D principally carries on the business of property and construction businesses, with operations spanning the PRC, Hong Kong and Macau.

Company E is one of the leading integrated fitting-out contractors in Hong Kong and Macau, specialising in providing professional fitting-out works for residential property and hotel projects.

Source: Frost & Sullivan

REGULATORY OVERVIEW

This section summarises the principal laws and regulations of Hong Kong which are relevant to our business. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to our business.

A. Laws and Regulations in relation to Construction Labour, Health and Safety

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

Construction Workers Registration Ordinance requires construction workers to be registered for carrying out construction work on a construction site.

Under the Construction Workers Registration Ordinance, “construction work” means, among other things, any building operation involved in preparing for any operation such as the addition, renewal, alteration, repair, dismantling or demolition of any specified structure that involves the structure of the specified structure or any other specified structure. “Construction site” means (subject to certain exceptions) a place where construction work is, or is to be, carried out. Under section 40 of the Construction Workers Registration Ordinance, no person shall be registered as a registered construction worker unless the Registrar of Construction Workers is satisfied, among other things, that the person has attended the relevant construction work-related safety training course. Further, under section 44 of the Construction Workers Registration Ordinance, the Registrar of Construction Workers shall not renew the registration of a person unless the Registrar of Construction Workers is satisfied that, among other things, (i) the person has attended the relevant construction work-related safety training course and (ii) if the registration will, on the date of expiry, have been in effect for not less than two years, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Industry Council may specify.

The Construction Workers Registration Ordinance also contains a “designated workers for designated skills” provision, which provides that only registered skilled or semi-skilled workers of designated trade divisions are permitted to carry out construction works on construction sites relating to those trade divisions independently. Unregistered skilled or semi-skilled workers are only allowed to carry out construction works of designated trade divisions (i) under the instruction and supervision of registered skilled or semi-skilled workers of relevant designated trade division(s); (ii) in proposed emergency works (i.e. construction works which are made or maintained consequential upon the occurrence of emergency incidents); or (iii) in small-scale construction works (e.g. value of works not exceeding HK\$100,000).

Stage 1 of the “designated workers for designated skills” provision, of which “designated works” will include construction, re-construction, addition, alternation and building services works, has been implemented with immediate effect from 1 April 2017. Upon implementation of Stage 1 of the “designated workers for designated skills” provision pursuant to the Construction Workers Registration Ordinance, registered skilled and semi-skilled workers for designated trade divisions shall be

REGULATORY OVERVIEW

included as registered construction workers of the Register of Construction Workers, and accordingly, subcontractors of construction sites are required to employ only registered skilled and semi-skilled workers for designated trade divisions to carry out construction works on construction sites relation to those trade divisions independently.

As at the Latest Practicable Date, all of our site staff carrying out construction works on our construction sites were registered as registered construction worker under the Construction Workers Registration Ordinance.

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

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

- 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 working environment.

A proprietor who contravenes any of these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes any of these requirements willfully 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 Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations, 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 commits an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

REGULATORY OVERVIEW

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) (“Safety Management Regulation”), any contractor (i) in relation to construction work with a contract value of HK\$100 million or more; or (ii) in relation to contraction work having an aggregate of 100 or more workers in a day working in a single construction site; or (iii) in relation to construction work having an aggregate of 100 or more workers in a day working in 2 or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system and considering improvements to the system at least once in every six months. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment of six months. During the Track Record Period and up to the Latest Practicable Date, we had certain non-compliance with the Safety Management Regulation, details of which are set out in the section headed “Business – Non-compliance”.

We have set up an occupational health and safety system to promote work safety among our employees and to prevent occurrence of accident in our daily operation. For details, please refer to the section headed “Business – Occupational health and safety” in this prospectus.

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

Under regulation 3 of the FIU(LM)R, 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. Under the FIU(LM)R, loadshifting machines used in industrial undertakings refer to forklift trucks.

Under regulation 8 of the FIU(LM)R, a responsible person who without reasonable excuse contravenes regulation 3 commits an offence and is liable to a fine of HK\$50,000.

As at the Latest Practicable Date, our Group has a total of 14 forklift trucks. As those forklift trucks will be provided for the subcontractors to use in the construction sites, compliance with the FIU(LM)R is required.

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 in their workplaces by:

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

REGULATORY OVERVIEW

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

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

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

We have set up an occupational health and safety system to promote work safety among our employees and to prevent occurrence of accident in our daily operation. For details, please refer to the section headed "Business – Occupational health and safety" in this prospectus.

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

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

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an

REGULATORY OVERVIEW

employee who suffers incapacity arising from an occupational disease is 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, the employer shall report work injuries of its employee to the Commissioner of Labour not later than 14 days after the accident.

According to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to sub-contractors' employees who are injured in the course of their employment to the sub-contractor. The principal contractor is, nonetheless, entitled to be indemnified by the sub-contractor who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including 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 (including full-time and part-time employees). Under section 40(1B) of the Employees' Compensation Ordinance, where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a principal contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the principal contractor and a subcontractor insured under the policy shall be regarded as having complied with section 40(1) of the Employees' Compensation Ordinance.

An employer who fails to comply with this Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 and to imprisonment for two years.

For our insurance coverage in this connection, please refer to the section headed "Business – Insurance – (ii) Employees' compensation insurance" in this prospectus. For the information of employees' compensation claims and common law personal injury claims experienced by our Group during the Track Record Period and up to the Latest Practicable Date, please refer to the section headed "Business – Litigation and potential claims" in this prospectus.

Limitation Ordinance (Chapter 347 of the Laws of Hong Kong)

Under the Limitation Ordinance, the time limit for an applicant to commence common law claims for personal injuries is three years from the date on which the cause of action accrued.

REGULATORY OVERVIEW

For information regarding the potential common law claims for personal injuries which were within the respective three-year periods and which might be brought against our Group as of the Latest Practicable Date, please refer to the section headed “Business – Litigation and potential claims” of this prospectus.

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

A principal contractor shall be subject to the provisions on sub-contractor’s employees’ wages in the Employment Ordinance. According to section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior sub-contractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior subcontractor (where applicable) shall be limited to (a) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

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

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

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior sub-contractor who pays an employee any wages under section 43C of the Employment Ordinance may either (1) claim contribution from every superior sub-contractor to the employee’s employer or from the principal contractor and every other such superior sub-contractor as the case may be, or (2) deduct by way of set-off the amount paid by him from any sum due or may become due to the sub-contractor in respect of the work that he has sub-contracted.

REGULATORY OVERVIEW

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

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

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

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

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

Please refer to the section headed “Business – Employees – Requirements under the Immigration Ordinance” in this prospectus for measures implemented by our Group for compliance with the aforesaid requirements under the Immigration Ordinance.

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this Ordinance is void.

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

Employers are required to enroll their regular employees (except for certain exempt 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 (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or

REGULATORY OVERVIEW

HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. Employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

Industry 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.

For the purpose of the Industry Schemes, the construction industry covers the following eight major categories:

- (1) foundation and associated works;
- (2) civil engineering and associated works;
- (3) demolition and structural alteration works;
- (4) refurbishment and maintenance works;
- (5) general building construction works;
- (6) fire services, mechanical, electrical and associated works;
- (7) gas, plumbing, drainage and associated works; and
- (8) interior fitting-out works.

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these two industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries.

Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

REGULATORY OVERVIEW

B. Laws and Regulations in relation to Environmental Protection

We are subject to the following laws and regulations in connection with the environmental protection as our business activities of wet trades works as a subcontractor. For information regarding our environmental management system, please refer to the section headed “Business – Environmental protection” in this prospectus.

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

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation (Chapter 3110 of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered asbestos contractors and under the supervision of a registered consultant.

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.

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the 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.

REGULATORY OVERVIEW

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

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

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, commercial, institutional and construction activities into public sewers, and public drain. For any industry/trade generating wastewater discharge (except domestic sewage or unpolluted water that are discharged into communal sewer or communal drain), they are subject to licensing control by the Director of the Environmental Protection Department.

All discharges, other than domestic sewage or unpolluted water to communal sewer or communal drain, must be covered by an effluent discharge licence. The licence specifies the permitted maximum allowable quantity and effluent standards of the effluent. The general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.

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

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

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

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

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish

REGULATORY OVERVIEW

a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, a person who produces chemical waste or causes it to be produced has to register as a chemical waste producer. Any chemical waste produced must be packaged, labeled and stored properly before disposal. Only a licensed waste collector can transport the waste to a licensed chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the Environmental Protection Department.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who, except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required under sections 16, 16A and 16B of this Ordinance commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, and to a fine of HK\$500,000 and to imprisonment for 6 months for a second or subsequent offence and, in addition, if the offence is a continuing offence, a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

Pursuant to section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or if that person cannot be found, on the occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person; or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence.

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty of section 127 as mentioned above is a fine at level 3 (currently HK\$10,000) upon conviction with a daily fine of HK\$200.

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

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

REGULATORY OVERVIEW

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

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

C. Laws and Regulations in relation to Contractor Licensing

Subcontractors Registration Scheme

As at the Latest Practicable Date, Eric Tse Cement Works was registered in the Subcontractors Registration Scheme of the Construction Industry Council under the finishing wet trades and marble, granite and stone work.

Subcontractors, which are involved in, among others, finishing wet trades and marble, granite and stone work, in Hong Kong may apply for registration under the Subcontractors Registration Scheme managed by the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007.

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

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

After the Construction Industry Council took over the work of the PCICB in February 2007 and the VSRS in January 2010, the Construction Industry Council launched stage 2 of the VSRS in January 2013. VSRS was also then renamed Subcontractors Registration Scheme. All subcontractors registered under the VSRS have automatically become registered subcontractors under the Subcontractors Registration Scheme.

REGULATORY OVERVIEW

Categories of registration under the Subcontractors Registration Scheme

Subcontractors may apply for registration on the Subcontractors Registration Scheme in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch out into around 94 specialties, including general demolition, and others (concrete coring and saw cutting) etc.

Where a contractor is to sub-contract/sub-let part of the public works involving trades available under the Primary Register (a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the Subcontractors Registration Scheme) of the Subcontractors Registration Scheme, it shall engage all subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register of the Subcontractors Registration Scheme. Should the sub-contractors further sub-contract (irrespective of any tier) any part of the public works sub-contracted to them involving trades available under the Primary Register of the Subcontractors Registration Scheme, the contractor shall ensure that all sub-contractors (irrespective of any tier) are registered under the relevant trades in the Primary Register of the Subcontractors Registration Scheme.

Requirements for registration under the Subcontractors Registration Scheme

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

- (a) completion of at least one job within five years as a main contractor/subcontractor in the areas which it applies or to have acquired comparable experience by itself/its proprietors, partners or directors within the last five years;
- (b) listings on one or more government registration schemes operated by policy bureaus or departments of the Hong Kong Government relevant to the trades and specialties for which registration is sought;
- (c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for Sub-contractors (or equivalent) conducted by the Construction Industry Council; or
- (d) the applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years' experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

REGULATORY OVERVIEW

Validity period of registration and renewal of registration

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

Codes of Conduct

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

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

- (a) supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;
- (b) failure to give timely notification of changes to the registration particulars;
- (c) serious violations of the registration rules and procedures;
- (d) convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);
- (e) convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;
- (f) wilful misconducts that may bring the Subcontractors Registration Scheme into serious disrepute;
- (g) civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;

REGULATORY OVERVIEW

- (h) convictions under the Factories and Industrial Undertakings Ordinance or Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in one or more of the following consequence:
 - (i) loss of life; or
 - (ii) serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability;
- (i) conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the Registered Subcontractor at each of a construction site under a contract;
- (j) convictions for employment of illegal worker under the Immigration Ordinance; or
- (k) late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over ten days with solid proof of such late payment of wages and/or contribution.

Regulatory actions

The Management Committee may instigate regulatory actions by directing that:

- A. written strong direction and/or warning be given to a registered subcontractor;
- B. a registered subcontractor to submit an improvement plan with the contents as specified and within a specified period;
- C. a registered subcontractor be suspended from registration for a specified duration; or
- D. the registration of a registered subcontractor be revoked.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

The history of our Group can be traced back to 1981 when Mr. Eric Tse established the business as a sole proprietorship in the trade name of “Eric Tse Cement Works (振源坭水工程)” with a view to carry on the business of wet trades as subcontractor in Hong Kong which was established by Mr. Eric Tse utilising his own financial resources. In 1990, Mr. CK Tse joined in and the sole proprietorship was converted to a partnership with Mr. Eric Tse and Mr. CK Tse as partners in equal share, to continue the business of wet trades as subcontractor in Hong Kong (the “**Partnership Business**”). Later on, Mr. Eric Tse and Mr. CK Tse also established Eric Tse Cement Works, a company with limited liability by share, in October 1997 to carry on the business of wet trades in Hong Kong. In order to streamline the operation of our Group, the Partnership Business had ceased its business operation since April 2015 and was dissolved by Mr. Eric Tse and Mr. CK Tse in March 2017.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 April 2017 for the purpose of the Listing. On 18 August 2017, our Company changed its name from Noble Engineering Holdings Limited (高豐工程控股有限公司) to Noble Engineering Group Holdings Limited (怡康泰工程集團控股有限公司). Upon completion of a series of share transfers under the Reorganisation as detailed in the paragraph headed “Reorganisation” below, our Company became the ultimate holding company of our Group and holds the entire issued share capital of our two subsidiaries, namely Noble Wisdom and Eric Tse Cement Works.

Over the years, we have grown to an established wet trades sub-contractor in Hong Kong. In 2016, we were awarded several large-scale projects by major real estate developers.

The following table sets forth our major development milestones of our Group since the inception to the present scale of operation:

Year	Event
1997	Eric Tse Cement Works was established to carry on the wet trades business in Hong Kong
2001	Eric Tse Cement Works was invited by the Hong Kong Housing Society to participate in the production of the “Quality Field Practices (QFP)” video series which set a benchmark of good and proper workmanship for site staff and contractors undertaking wet trades works
2001	The total turnover of Eric Tse Cement Works exceeded HK\$100 million
2003	We were awarded a wet trades contract for a residential development project with a total contract sum exceeding HK\$50 million
	We were awarded our first wet trades contract for a hospital re-development project

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Event
2004	We were the first contractor registered under the Subcontractors Registration Scheme of the Construction Industry Council in the finishing wet trades category and have maintained such registration for over 13 years
2005	We were awarded a wet trades contract for construction of a major theme park in Hong Kong
2008	We were awarded a wet trades contract for a commercial development project in connection with the construction of a commercial skyscraper
2012	We were awarded a wet trades contract with a contract sum of HK\$25 million for a commercial project relating to a data centre of a Hong Kong bank
2015	We were awarded the Quality Inspection Certificate by Hong Kong Professional Building Inspection Academy (HKPBIA) for our excellence and specialisation in wet trades
2017	We were accredited ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 by Fugro Certification Services Limited

For further details of the awards and recognitions received by our Group, please refer to the section headed “Business – Awards and recognitions” of this prospectus.

The Partnership Business

In 1981, Mr. Eric Tse established the business as a sole proprietorship in the trade name of “Eric Tse Cement Works (振源坭水工程)” with a view to carry on the business of wet trades as subcontractor in Hong Kong. In 1990, Mr. CK Tse joined in and the sole proprietorship was converted to a partnership with Mr. Eric Tse and Mr. CK Tse as partners in equal share, to continue the business of wet trades as subcontractor in Hong Kong. Since conversion to partnership, the Partnership Business had been owned by Mr. Eric Tse and Mr. CK Tse in equal share until its dissolution in March 2017. In order to streamline the operation of our Group, the Partnership Business had ceased its business operation since April 2015 and was dissolved by Mr. Eric Tse and Mr. CK Tse in March 2017.

Eric Tse Cement Works

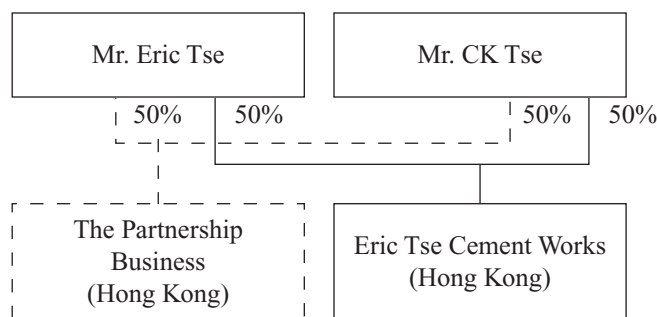
Eric Tse Cement Works, our wholly-owned and principal operating subsidiary which undertakes the business of wet trades as subcontractor, was incorporated in Hong Kong on 8 October 1997 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same day, one share and one share were allotted and issued to each of Mr. Eric Tse and Mr. CK Tse, respectively. On 28 March 2017, each of Mr. Eric Tse and Mr. CK Tse capitalised part of his amount due from Eric Tse Cement Works in the amount of HK\$4,999,999.00 by issue and allotment of 4,999,999 new shares in Eric Tse Cement Works credited as fully paid. After such issue and allotment of shares, Eric Tse Cement Works has a total paid up capital of HK\$10,000,000.00 and a total of 10,000,000 shares in

HISTORY, DEVELOPMENT AND REORGANISATION

issue. Since the date of incorporation, Eric Tse Cement Works had been owned as to 50% by Mr. Eric Tse and 50% by Mr. CK Tse until completion of the Reorganisation as described in the paragraph headed “Reorganisation – (3) Transfer of shares of Eric Tse Cement Works to Noble Wisdom” in this section whereupon it became an indirect wholly-owned subsidiary of our Company.

REORGANISATION

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



Note: The Partnership Business was established in 1981 as a sole proprietorship and was converted to a partnership in 1990. The Partnership was dissolved on 28 March 2017.

Our Group completed the Reorganisation on 6 September 2017 in preparation for the Listing, pursuant to which our Company became the holding company of our Group.

The Reorganisation involved the following steps:

(1) Incorporation of Noble Wisdom

On 5 January 2017, Noble Wisdom was incorporated in the BVI with liability limited by shares. At the date of incorporation, Noble Wisdom is authorised to issue a maximum of 50,000 shares of a single class with no par value. On 7 March 2017, one ordinary share with no par value was allotted and issued as fully-paid to each of Mr. Eric Tse and Mr. CK Tse. After completion of the Reorganisation, Noble Wisdom became a direct wholly-owned subsidiary of our Company.

(2) Incorporation of our Company

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law on 12 April 2017 and was registered under Part 16 of the Companies Ordinance as a registered non-Hong Kong company on 31 May 2017. It had an initial authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares with par value of HK\$0.01 each. On 12 April 2017, one nil-paid subscriber Share was allotted and issued to Reid Services Limited, the initial subscriber of our Company, which was subsequently transferred to Land Noble on the same date. As at the Latest Practicable Date, our Company had an authorised share

HISTORY, DEVELOPMENT AND REORGANISATION

capital of HK\$100,000 divided into 10,000,000 ordinary shares with par value of HK\$0.01 each. Immediately following completion of the Reorganisation, our Company became the holding company of our Group and was wholly-owned by Land Noble.

(3) Transfer of shares of Eric Tse Cement Works to Noble Wisdom

On 10 May 2017, Mr. Eric Tse and Mr. CK Tse, as vendors, and Noble Wisdom as purchaser, entered into a sale and purchase agreement, pursuant to which Noble Wisdom acquired 5,000,000 shares and 5,000,000 shares of Eric Tse Cement Works (representing the entire issued share capital of Eric Tse Cement Works in aggregate) from Mr. Eric Tse and Mr. CK Tse, respectively, at the consideration of HK\$41,500,000 (which was determined with reference to the net asset value of Eric Tse Cement Works as at 31 March 2017). The consideration was satisfied by the allotment and issue of one new ordinary share and one new ordinary share of Noble Wisdom, credited as fully paid, to Mr. Eric Tse and Mr. CK Tse, respectively. After the completion of the transaction (which took place on 10 May 2017), the entire issued share capital of Eric Tse Cement Works is owned by Noble Wisdom.

(4) Transfer of shares of Noble Wisdom to our Company

On 6 September 2017, Mr. Eric Tse and Mr. CK Tse, as vendors and our Company, as purchaser entered into a sale and purchase agreement, pursuant to which our Company acquired two ordinary shares and two ordinary shares of Noble Wisdom, representing all of its issued shares in aggregate, from Mr. Eric Tse and Mr. CK Tse, respectively, and in return, our Company issued and allotted 9,999 new shares, credited as fully-paid, to Land Noble, and crediting as fully paid at par one nil-paid Share held by Land Noble, at the instructions of Mr. Eric Tse and Mr. CK Tse. The consideration is determined with reference to basis. After the completion of the transaction, all the issued shares of Noble Wisdom is owned by our Company.

(5) Capitalisation Issue

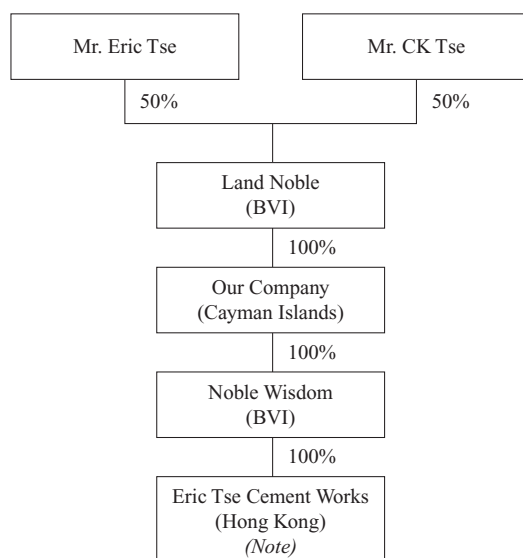
Pursuant to the resolutions of the sole Shareholder passed on 14 September 2017, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$4,499,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 449,990,000 Shares for allotment and issue to the Shareholder(s) whose name(s) appear on the register of members or the principal share register of our Company at the close of business on 14 September 2017 (or as each of them may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their respective shareholdings in our Company, and the Shares allotted and issued shall rank pari passu in all respects with the then existing issued Shares.

Upon completion of the Reorganisation on 6 September 2017, our Company became the holding company of our Group.

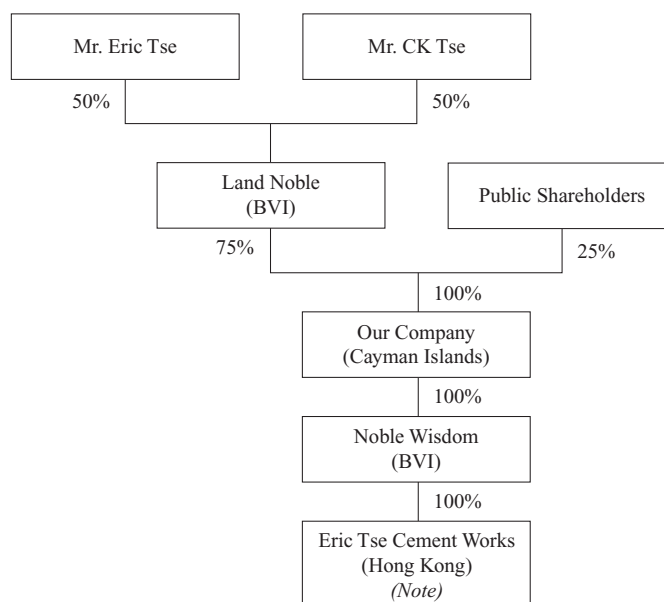
HISTORY, DEVELOPMENT AND REORGANISATION

GROUP STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the Capitalisation Issue and the Share Offer:



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



Note: Eric Tse Cement Works principally carries on the business of wet trades works as a subcontractor in Hong Kong.

BUSINESS

OVERVIEW

We principally perform wet trades works as a subcontractor in Hong Kong. We have over 35 years of experience in undertaking wet trades works in Hong Kong.

Our services are principally undertaken by Eric Tse Cement Works, our key operating subsidiary. As a subcontractor, we provide our customers with comprehensive wet trades works solutions which generally include tile laying, brick laying, plastering, floor screeding and marble works. For the two years ended 31 March 2017, our revenue amounted to approximately HK\$267.4 million and HK\$285.4 million, respectively, which was all derived from wet trades works in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, we completed 27 wet trades projects with a total contract sum of approximately HK\$473.0 million. As at the Latest Practicable Date, we had 26 projects on hand (including contracts in progress as well as contracts that have been awarded to us but not yet commenced). Our value of backlog as at the Latest Practicable Date amounted to approximately HK\$422.0 million. Further details of our projects backlog are set out in the paragraph headed “Our Projects – Our project backlog” in this section.

Our direct customers are main contractors of various building construction projects in Hong Kong. Our Group provides wet trades services to both private sector and public sector for various building construction projects including residential, community facilities, public housing and commercial development projects. Our Group classifies public sector projects as projects in which the ultimate employer(s) is a government department or a statutory body while private sector projects refer to those that are not public sector projects. The majority of our revenue during the Track Record Period was derived from private sector projects. During the Track Record Period, our Group generated approximately 88.0% and 90.5% of our revenue from the private sector projects, respectively, with the remaining revenue of approximately 12.0% and 9.5% from the public sector projects, respectively. The following table sets out a breakdown of our revenue attributable to private and public sector projects:

	For the year ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Private sector projects	235,189	88.0	258,260	90.5
Public sector projects	<u>32,219</u>	<u>12.0</u>	<u>27,170</u>	<u>9.5</u>
	<u>267,408</u>	<u>100.0</u>	<u>285,430</u>	<u>100.0</u>

BUSINESS

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

	For the year ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Residential building	191,030	71.4	212,253	74.4
Community facilities <i>(Note)</i>	41,323	15.5	54,213	19.0
Public housing	25,050	9.4	15,999	5.6
Commercial building	<u>10,005</u>	<u>3.7</u>	<u>2,965</u>	<u>1.0</u>
	<u>267,408</u>	<u>100.0</u>	<u>285,430</u>	<u>100.0</u>

Note: Community facilities include hospital, police office and other community facilities.

As a subcontractor, we mainly secure our projects from main contractors or other contractors through tenders by invitation. For the two financial years ended 31 March 2017, our five largest customers accounted for approximately 93.1% and 84.0% of our revenue respectively, whereas our largest customer accounted for approximately 35.5% and 26.4% of our revenue respectively. Over the years, we are able to maintain stable relationship with our customers and suppliers. We have developed long-term relationship with a majority of our five largest customers for periods ranging from 6 to 19 years whereas we have stable business relationship with our five largest suppliers for periods ranging from 2 to 11 years.

According to the Frost & Sullivan Report, it is estimated that the revenue of the wet trades industry in Hong Kong will reach approximately HK\$14,597.5 million in 2021, demonstrating a CAGR of approximately 7.6% from 2017 to 2021. In view of the growth drivers such as the expected increase in construction of buildings, the Government's support to increase land and housing supply, the Government policy on urban renewal and urbanisation in the northeastern part of the New Territories which will boost building construction activities, our Directors believe that there will be more wet trades projects in Hong Kong. Riding on our operational resource and experience, our Directors believe that we are well-positioned to capture the growing demand for wet trades services in Hong Kong. For details on the market drivers relating to our Group, please refer to the section headed "Industry Overview – Overview of Hong Kong Wet Trades Industry – Key market drivers" in this prospectus.

BUSINESS

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors in the Hong Kong wet trades industry:

Long-term and stable relationship with our major customers and suppliers

We have established a long-term relationship with our major customers who are reputable main contractors of various building construction projects in Hong Kong. Our relationship with a majority of our five largest customers during the Track Record Period ranges from 6 to 19 years. We believe that our long-term relationships with our major customers is attributable to our customers' confidence on our ability to deliver quality service and our customers' satisfaction and confidence over our service quality. In addition, the years of our relationship with our five largest suppliers during the Track Record Period, which are mostly our subcontractors, range from 2 to 11 years, respectively. The performance of our subcontractors and their quality of works subcontracted by our Group can be assured by our close relationship with these subcontractors who are able to meet our quality standards. We believe our close business relationships with our major customers and suppliers have enhanced our market recognition and enabled us to attract more business opportunities.

We are committed to high safety and environmental management standards and stringent quality controls

Our Directors believe that the stringent quality assurance system and strong commitment to work's quality, safety, occupational health and environmental management are crucial to us in delivering quality works to our customers on a timely basis. Therefore, we have implemented a stringent management system regulating our work's quality, safety and environmental management standards, which comply with international standards. We have achieved the requirements of ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 accreditation for our quality management system, environmental management system and occupational safety and health management system respectively. For each of the year ended 31 March 2016 and 2017, the accident rates in respect of the employees of our Group and our subcontractors were approximately 24.96 and 8.69 per 1,000 workers, respectively. This accident rate at our construction sites was lower than the construction industry average in Hong Kong for the years ended 31 March 2016 and 2017. Our Directors believe that the comparatively low accident rate was attributed to our in-house registered safety officer and safety supervisors who monitor the safety control procedures and rules in our construction sites.

Further details of our quality control measures are set out in the paragraph headed "Quality control" in this section. In light of the above, our Directors believe that we are capable of completing the wet trades works undertaken by us in high quality standards and achieve sustainable growth in our business in the wet trades industry.

BUSINESS

Well established presence and proven track record in the wet trades industry in Hong Kong

We have over 35 years of experience in undertaking wet trades works as a subcontractor in Hong Kong. We provide our customers with comprehensive wet trades works solutions including tile laying, brick laying, plastering, floor screeding and marble works. Over the years, we have established ourselves as a dedicated subcontractor in the wet trades industry consistently achieving customer satisfaction and quality of work which in turn enable our Group to gain confidence from our customers and therefore increase our opportunities of winning new projects from customers.

During the Track Record Period and up to the Latest Practicable Date, we completed 27 wet trades projects in Hong Kong. As at the Latest Practicable Date, we had 26 projects on hand including contracts in progress as well as contracts that have been awarded to us but not yet commenced, details of which are set out in the paragraph headed “Our Projects – Our project backlog – Projects on hand” in this section. In addition, we were the first contractor registered as a subcontractor under the Subcontractors Registration Scheme in the finishing wet trades category in March 2004 and have maintained such registration with the Construction Industry Council for over 13 years.

Furthermore, we were invited by the Hong Kong Housing Society to participate in the production of the “Quality Field Practices (QFP)” video series with the aim to set a benchmark of good and proper workmanship for the site staff and contractors undertaking wet trades works. Our Directors believe that the video series have been well received by the construction industry, academia and the general public. The Hong Kong Housing Society has used the video series for teaching purpose for the Construction Industry Training Authority (which is now known as the Construction Industry Council Training Academy), the Vocational Training Council, as well as five universities in Hong Kong. Our effort to promote quality construction in Hong Kong has helped set a benchmark of good and proper workmanship standard for the wet trades industry and this has fostered our corporate image and further enhance our customer confidence and hence attract more business opportunities.

We believe that our proven track record, our diverse experience and capabilities in wet trades works, our expertise in wet trades operations, our ability to deliver our jobs on time and within budget are the crucial factors that enable our Group to gain trust of our existing customers and give us a competitive edge when tendering for wet trades contracts which are crucial to our business operations and future business development.

Experienced and professional management team

Our management team has extensive industry knowledge and project experience in the wet trades industry in Hong Kong. Mr. Eric Tse and Mr. CK Tse, our executive Directors and our Controlling Shareholders, have over 35 years of experience in the wet trades industry. Besides, Mr. Eric Tse is the founding president of Hong Kong Construction Sub-Contractors Association Limited (香港建造業分包商聯會有限公司) and he has been honoured by the said association as the permanent honorary president since he retired from the president position in 2011. Mr. Eric Tse has also been the president of Association of Plastering Sub-Contractors Limited (泥水商協會有限公司) since 1997 and has been named as

BUSINESS

the founding president from 2015 to present. Our Controlling Shareholders' experience and extensive knowledge of the wet trades industry in Hong Kong enable our Group to understand market dynamism and industry practice for wet trades works. Our senior management team, namely, Mr. Li Kwan Lung has 22 years of experience in quantity surveying and wet trades industry in Hong Kong. For details of the qualification and experience of our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this prospectus. Their qualifications and experience facilitate the formulation of competitive tenders, which are essential in securing new business opportunities, and in carrying out efficient and timely execution and management of our projects. Our Directors believe that the combination of our management team's expertise and industry knowledge have been and will continue to be our Group's valuable assets and strive our Group towards greater success.

BUSINESS STRATEGIES

Our principal business objective is to further strengthen our position as an established subcontractor for wet trades works in Hong Kong and to create long-term Shareholder's value. We intend to achieve our business objective by the following business strategies.

Expanding our market share and competing for more wet trades projects

The aggregate number and size of projects that we are able to undertake in our wet trades business hinges on, among others, the amount of our available working capital. According to the Frost & Sullivan Report, for construction projects in Hong Kong, it is not uncommon that contractors may be required to arrange with banks or insurance companies to provide surety bonds in the amount of certain percentage (usually 10 to 20%) of the contract sum to their customers to ensure contractor's due performance and observance of a subcontract. The surety bond requirement may result in the lock-up of a portion of our capital during the term of the surety bond and thereby affecting our liquidity position. As such, in further developing our business and having regard to our available financial resources, our Directors intend to undertake more projects in the future, including those with surety bonds requirements. We intend to utilise approximately HK\$19.7 million for taking out surety bonds for contracts that we plan to tender for the years ending 31 March 2020. Our Directors believe that the net proceeds from the Share Offer will strengthen our available financial resources, thereby allowing us to undertake more projects by applying a portion of the proceeds mainly for satisfying potential customers' surety bonds requirements.

Further strengthening our manpower

We consider it is imperative to expand our workforce to enhance our project management capabilities. To enhance our manpower for our projects on hand and the contracts that we plan to tender for, we plan to utilise approximately HK\$7.7 million from the proceeds of the Share Offer to expand our workforce. We intend to increase the number of our staff by 12 which consists of three site agents, four assistant site agents, two assistant quantity surveyors, two safety officers and an accountant. In addition, we also intend to provide more training to our existing and newly recruited staff on occupational health and

BUSINESS

safety, machinery and equipment operation and wet trades works techniques. Such training courses would include internal training as well as courses organised by external parties and training institutions.

Acquisition of additional machinery and equipment

To further enhance and optimise our overall efficiency and capacity in performing wet trades projects of different scale and complexity, we intend to acquire additional machinery and equipment with higher efficiency and technical capability which allow us to undertake more wet trades projects in the future. To cope with our needs for the projects on hand and the contracts that we plan to tender for, we plan to acquire 24 plaster spraying machines, 14 forklifts and 1,800 sets of parts for plaster spraying machine for our current and future wet trades projects. The expected total capital expenditure for the acquisition of the aforesaid machinery and equipment is approximately HK\$7.5 million which will be financed by the proceeds from the Share Offer.

Please refer to the section headed “Statement of Business Objectives and Use of Proceeds” in this prospectus for further details.

OUR SERVICES

Types of works undertaken

We provide our customers with comprehensive wet trades works solutions as a subcontractor. Our wet trades works generally include tile laying, brick laying, plastering, floor screeding and marble works, details of which are set out below:

Tile laying works



Tile laying works refer to a series of tasks to be performed in a proper sequence in order to lay the tiles on the surface of a wall or floor. Checks are conducted to see whether there is any unintended colour/shade variation within the tiles. We also check whether the adhesive to be used is compatible with the background/base of the wall/floor. Tiles would be

BUSINESS

cut neatly and accurately subject to the approval of the architect of our customers, and would be fixed so that there is adhesion over the whole of the background, base of the wall, and floor and the back of the tiles. Before applying bedding material sets, proper adjustment may be made to give true, regular appearance to tiles and joints when viewed under final lighting conditions. After placing the bedding material, we would clean the surplus bedding material from joints and face of tiles without disturbing tiles.

Brick laying works



Brick laying works refer to a series of tasks to be performed in a proper sequence in order to lay the blocks in position on the wall row by row to establish a proper spacing of blocks. Mortar is first laid for full bed width and blocks are then being laid one at a time by gently pressing them into the mortar bed. A line thread would be used with a line pin from one end to the other end. Checks are then conducted to ensure that all blocks are plumb, square and properly bonded. We also check that all joints are moulded and that excess mortar coming out on the edge are buttered to the cross directional joint or the head joint surface of the next block to be laid. We would normally close the bond, locate it near the centre of the wall and butter both edges of the closure block with mortar before laying the last closure block in the row. The above steps are repeated for each of the rows and the whole block work is to be built in uniform layers.

Plastering works



Plastering works refer to the process of working with plaster. Before applying the plaster on a wall surface, our workers or subcontractors would ensure that the wall surface is clean and free from dust, and any loose part of mortar/plaster from brick laying process. Water would be sprinkled over the wall surface to ensure better sticking of the plaster. We then mix appropriate amount and ratio of base plaster and water by drum mixers or plaster spraying machines. Our workers or subcontractors would use plaster trowel to scoop an amount of plaster which could be held by the plaster hawk or directly use the plaster spraying machine to spray the plaster on the wall. When the wall surface is full of plaster, our workers or subcontractors use nice and smooth strokes with the trowel and press onto the wall in order to spread the plaster evenly over the surface. By applying the pressure on the plaster towards different directions, the wall would be fully and equally covered with the plaster. Wall corners should be the last to be pressed.

Floor screeding works



Floor screeding works refer to the application of a well-blended mixture of cement with graded aggregates and water to a floor base in order to form a sturdy sub-floor for the completion of the final floor. If there is pipe-work in the screed, we would ensure that there

is a layer of mortar with at least 2.5 cm thick above it and we would reinforce the thinner section to prevent the formation of cracks by bridging the metallic reinforcement mesh made from 2 mm diameter wire over the pipe-work. To improve the resistance to cracking, we would also position a zinc-plated metallic reinforcement mesh at the mid-point of the screed in order to limit the amount of shrinkage cracks. Floor screeding works are finished by hand with a float and the surface of the screed is then suitable for installing ceramic or stone flooring.

Marble works



Marble works refer to the laying of marble tiles to the floor. An inspection of the marble tiles would be carried out by us to ensure that there are no cracks or gaps in the polished surface of the tiles. Floor surface is levelled before laying the marble tiles. We would also mark the grid on the floor to indicate where the marble tiles would be laid. The marble tiles would then be placed according to the pattern in the grid and a layer of adhesive would be applied using a notched towel. We would then lay the marble tiles firmly on top of the adhesive within ten minutes after the adhesive is applied. We would position the marble tiles in place using spacers and cut the marble tiles to fit in the edges along the walls using a wet saw in order to minimise the risk of marble tiles breaking when they are being cut. The process is repeated until all the specially sized marble tiles are cut and placed into the adhesive. Any excess adhesive between the marble tiles is then removed and the marble tiles are left undisturbed for at least 24 hours for the adhesive to dry. We would then seal the marble tiles and fill the spaces between the marble tiles with mortar.

Relationship between our customers and our subcontractors

Our Directors consider that as a wet trades works subcontractor, we play an indispensable role of providing customers with comprehensive wet trades works solutions including tile laying, brick laying, plastering, floor screeding and marble works as described above. Our Directors believe that main contractors tend to award wet trades contracts to us (instead of directly dealing with our subcontractors) for the following reasons:

- *We are able to assume a project management role for our customers to ensure smooth and timely execution of wet trades works with strict quality control and various value-added services which may not be readily provided by our subcontractors:* As a subcontractor, we do not outsource the entire wet trades works contract to one single subcontractor. Instead, we subcontract different parts of our projects to different subcontractors under our close supervision. We focus on (i) the supervision of wet trades works carried out by our subcontractors with a view to ensuring the conformity of the wet trades works with the specifications required by the main contractors as well as the overall quality of the wet trades works and (ii) the overall planning and management of work schedules and logistical arrangements in relation to the site workers, materials, machinery and other resources required at work sites with a view to ensuring smooth and timely completion of the wet trades works. As part of our value-added services, we help our customers to select quality subcontractors by careful evaluation of their performance based on factors such as their technical capability, experience, service quality, availability of labour resources, reputation and safety compliance. We also carry out stringent quality control over the quality of wet trades works of our subcontractors by conducting regular assessment of our subcontractors during project execution to ensure quality and safety compliance. Our site agents, safety officer and supervisors conduct regular site inspection to ensure general compliance by our subcontractors in quality, safety and environmental requirements. For further details of our quality control measures, please refer to the paragraph headed “Suppliers – Subcontractors – Control over subcontractors” and the paragraph headed “Quality control” of this section. Furthermore, our subcontractors are only responsible for providing labour resources for our wet trades projects and generally do not assume the responsibility of purchasing materials and toolings required for the wet trades projects. We are responsible for and experienced in purchasing and providing our subcontractors with materials of good quality required for a wet trades project such as base plaster, tile adhesive, river sand, cement, sand brick, aggregates, toolings and machinery (including forklifts and plaster spraying machines) to ensure smooth operation of the wet trades projects. Please refer to the paragraph headed “Operation flow – Purchasing construction materials and toolings” of this section for further details.
- *We generally offer longer credit terms to our customers than those offered by our subcontractors:* During the Track Record Period, the credit term offered by our subcontractors is approximately 7 days from the date of their payment application whereas the typical credit terms offered by us to our customers ranged from 17 to

BUSINESS

35 days from the issue of payment certificate. Due to our financial capability, we are able to offer the credit terms to our customers while our subcontractors may not have the financial resources to provide similar credit terms.

- *We understand our customers' needs and have a proven track record as a reliable wet trades subcontractors:* Our Group has a team of experienced project management team whose members possess in-depth knowledge of the wet trade projects. Over the years, we have developed a wealth of knowledge, experience and understanding on our customers' need concerning project management of wet trades works which may not readily be replicated by our subcontractors. With over 35 years of experience in the wet trades works industry, we have established ourselves as a reliable wet trades subcontractor with stable business relationship with our existing customers by understanding their changing needs and providing them with quality services as described above.
- *We are a registered subcontractor under the Subcontractors Registration Scheme:* For main contractors of major public sector projects and leading main contractors, subcontractors are required to be registered in the Subcontractors Registration Scheme of the Construction Industry Council. We have first completed such registration under the Subcontractors Registration Scheme since March 2004 and our registration has since then covered finishing wet trades, marble, granite and stone work covering a wide range of specialties including brick/block work, plastering and tiling, spray plaster and screeding, marble and granite works. Please refer to the paragraph headed "Licences and permits" of this section for further details. To the best of our Directors' knowledge, most of our subcontractors were not registered subcontractors under the Subcontractors Registration Scheme during the Track Record Period.

BUSINESS

OUR PROJECTS

The following table sets out the number of contracts that have been awarded to our Group during the Track Record Period and the corresponding aggregate amount of original contract sum in respect of such contracts:

	For the year ended 31 March 2016	2017	From 1 April 2017 to the Latest Practicable Date
Number of contracts awarded <i>(Note 1)</i>			
● with contract sum of HK\$10 million or less	5	4	7
● with contract sum more than HK\$10 million and less than or equal to HK\$50 million	5	7	1
● with contract sum more than HK\$50 million	2	3	1
Total number of contracts awarded	12	14	9
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Corresponding aggregate amount of original contract sum in respect of such contracts <i>(Note 2)</i>	232,395	360,111	237,972

Notes:

1. Number of contracts awarded for each financial year includes projects with respect to which our engagement was confirmed during the financial year, regardless of whether or not our tender was submitted during the same financial year.
2. Such amount excludes any subsequent changes due to variation orders (see the paragraph headed "Operation flow – Variation orders" below in this section).

Depending on the nature and complexity of a project as well as the existence of any unforeseen circumstances (such as bad weather conditions, industrial accidents, variation orders requested by customers, etc., if any), the duration of a contract (from the date of engagement to the date of completion) could generally range from approximately 6 to 24 months.

Please also refer to the section headed "Financial Information – Description of Selected Items for the Combined Statements of Profit or Loss and Others Comprehensive Income – Revenue" in this prospectus for details of breakdown of our revenue by project type.

BUSINESS

Our customers are the main contractors of various types of residential, commercial and other building projects in Hong Kong. Such projects can generally be categorised into private sector projects and public sector projects. Private sector projects refer to those that are not public sector projects while public sector projects refer to projects which the main contractors are employed by the Government or statutory bodies.

The majority of our revenue during the Track Record Period was derived from private sector projects. The following table sets out the number of contract with revenue contributed to us during the Track Record Period by private and public sector projects:

	For the year ended 31 March	
	2016	2017
Number of contracts with revenue contribution to us		
● Private sector projects	36	38
● Public sector projects	<u>5</u>	<u>6</u>
	<u>41</u>	<u>44</u>

The following table sets out a breakdown of our revenue during the Track Record Period attributable to private and public sector projects:

	For the year ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Private sector projects	235,189	88.0	258,260	90.5
Public sector projects	<u>32,219</u>	<u>12.0</u>	<u>27,170</u>	<u>9.5</u>
	<u>267,408</u>	<u>100.0</u>	<u>285,430</u>	<u>100.0</u>

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

	For the year ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Residential building	191,030	71.4	212,253	74.4
Community facilities <i>(Note)</i>	41,323	15.5	54,213	19.0
Public housing	25,050	9.4	15,999	5.6
Commercial building	<u>10,005</u>	<u>3.7</u>	<u>2,965</u>	<u>1.0</u>
	<u>267,408</u>	<u>100.0</u>	<u>285,430</u>	<u>100.0</u>

Note: Community facilities include hospital, police office and other community facilities.

BUSINESS

Our project backlog

The following table sets out the movement of the number of our wet trades projects during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 March		For the period from 1 April 2017 to the Latest Practicable Date
	2016	2017	
Opening number of projects	18	22	24
Number of new projects	12	14	9
Number of completed projects	(8)	(12)	(7)
Ending number of projects	22	24	26

Notes:

1. Opening number of projects means the number of awarded projects which were not completed as of the beginning of the relevant year or period indicated.
2. Number of new projects means the number of new projects awarded to us during the relevant year or period indicated, including those projects tendered in the preceding year which are awarded in the relevant year or period.
3. Number of completed projects means the number of projects which are practically considered completed when (i) the wet trades works have been duly completed as verified by our customer or their representative after inspection; (ii) we have handed over the project site to our customer; and (iii) occupation permit has been issued for the relevant building by the Buildings Department.
4. Ending number of projects is equal to the opening number of projects plus number of new projects minus number of completed projects during the relevant year or period indicated.

BUSINESS

The following table sets out the movement of backlog of our projects during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 March		For the period from 1 April 2017 to the Latest Practicable Date
	2016	2017	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening value of backlog	219,392	214,135	320,214
Awarded contract sum of new projects ^(Note 1)	232,395	360,111	237,972
Revenue recognised ^(Note 2)	(237,652)	(254,032)	(136,202)
Ending value of backlog ^(Note 3)	214,135	320,214	421,984

Notes:

1. The awarded contract sum is based on the initial agreement between our customer and us and may not include additions, modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the awarded contract sum.
2. The revenue recognised for each year of the Track Record Period represents the audited revenue recognised for each of the two years ended 31 March 2017, and the revenue recognised for the period from 1 April 2017 to the Latest Practicable Date represents the unaudited revenue recognised for the same period, in each case taking account of any additions and modifications due to variation orders (if any).
3. Ending value of backlog refers to the portion of the total estimated revenue that has not been recognised with respect to our projects which had not been fully completed or subject to agreement on final account with our customers as at the end of the relevant year or period indicated.

BUSINESS

The following tables set out a list of our completed projects, our projects on hand and a breakdown of our backlog during each year of the Track Record Period and up to the Latest Practicable Date:

Completed projects

During the Track Record Period and up to the Latest Practicable Date, we completed 27 wet trades projects, details of which are set out below:

Project No.	Location and nature of our projects	Sector	Project duration	Revenue recognised during each year of the Track Record Period and up to the Latest Practicable Date
				<i>(Note 1)</i> HK\$'000
A002	Wet trades works for a residential development project in Mid-Levels	Private	April 2014 – January 2016	FY2016: 2,556 FY 2017: 334 LPD: –
A005	Wet trades works for construction works of a police station at Yau Ma Tei	Public	September 2014 – February 2016	FY2016: 7,132 FY2017: – LPD: –
B001 ^(Note 2)	Wet trades works for a residential development project in Sha Tin	Private	May 2014 – August 2015	FY2016: 3,579 FY2017: – LPD: –
C004	Wet trades works for a residential development project in Ma On Shan	Private	August 2014 – January 2017	FY2016: 1,274 FY2017: – LPD: –
A003	Wet trades works for a hospital re-development project in Tsuen Wan	Private	September 2013 – February 2016	FY2016: 5,430 FY2017: – LPD: 692
A007 ^(Note 2)	Wet trades works for a residential development project in Clear Water Bay	Private	September 2015 – December 2016	FY2016: 23,937 FY2017: 5,830 LPD: 212
B002	Wet trades works for a residential development project in Sha Tin	Private	August 2014 – November 2015	FY2016: 7,878 FY2017: 1,059 LPD: 1,584

BUSINESS

Project No.	Location and nature of our projects	Sector	Project duration	Revenue recognised during each year of the Track Record Period and up to the Latest Practicable Date <i>(Note 1)</i>
				<i>HK\$'000</i>
B003	Wet trades works for a residential development project in Clear Water Bay	Private	March 2015 – December 2016	FY2016: 28,666 FY2017: 14,170 LPD: 744
E001	Wet trades works for a residential development project on Ko Shan Road	Private	November 2014 – May 2016	FY2016: 13,989 FY2017: 25 LPD: –
F003	Wet trades works works for a residential development project in Mong Kok	Private	June 2016 – February 2017	FY2016: – FY2017: 5,139 LPD: 1,236
D001	Wet trades works for a residential development project in Yuen Long	Private	February 2015 – December 2016	FY2016: 8,911 FY2017: 2,345 LPD: –
D003 ^(Note 2)	Wet trades works for a residential development project in Mid-Levels	Private	December 2014 – January 2017	FY2016: 19,864 FY2017: 7,233 LPD: –
D004	Wet trades works for a residential development project in Sai Ying Pun	Private	January 2015 – January 2017	FY2016: 6,833 FY2017: 2,446 LPD: –
E002 ^(Note 2)	Wet trades works for a residential development project in Tung Chung	Private	November 2014 – September 2016	FY2016: 51,820 FY2017: 4,880 LPD: 2,439
A006	Wet trades works for a public housing development project in Tai Po	Public	October 2014 – June 2017	FY2016: 9,373 FY2017: 331 LPD: –
C003 ^(Note 2)	Wet trades works for a residential development project in Ma On Shan	Private	June 2014 – June 2017	FY2016: 1,346 FY2017: 33 LPD: –

BUSINESS

Project No.	Location and nature of our projects	Sector	Project duration	Revenue recognised during each year of the Track Record Period and up to the Latest Practicable Date
				(Note 1) HK\$'000
C006	Wet trades works for a residential development project in Sai Wan Ho	Private	September 2015 – June 2017	FY2016: 3,428 FY2017: 8,413 LPD: 165
D002 ^(Note 2)	Wet trades works for a residential development project in Shatin	Private	November 2015 – June 2017	FY2016: 2,326 FY2017: 16,750 LPD: 203
D005	Wet trades works for a commercial development project in North Point	Private	March 2016 – June 2017	FY2016: 224 FY2017: 361 LPD: –
E003	Wet trades works for a hospital development project in Aberdeen	Private	October 2015 – June 2017	FY2016: 28,761 FY2017: 43,042 LPD: –
A004 ^(Note 3)	Wet trades works for a public housing development project in Yuen Long	Public	July 2014 – June 2017	FY2016: 15,664 FY2017: 3,542 LPD: –
Six wet trades projects with the amount of revenue recognised of less than HK\$1 million				FY2016: 997 FY2017: 239 LPD: 27
Total:				367,462

Note:

1. The revenue recognised during each year of the Track Record Period represents the audited revenue recognised for the two years ended 31 March 2017, and the revenue from 1 April 2017 up to the Latest Practicable Date represents the unaudited revenue recognised for the same period, in each case taking account of any additions and modifications due to variation orders (if any).
2. The overall gross profit margin for each of Projects B001, A007, D003, E002, C003 and D002 was less than the expected gross profit margin which our management estimated at the tendering stage because of an unexpected increase in the salaries of construction workers during their respective project period. Despite the above, these six projects were profitable.

BUSINESS

3. The overall gross profit margin for Project A004 was less than the expected gross profit margin which our management estimated at the tendering stage because of the additional work requested by our customer due to the “lead in drinking water incidents” happened during the project period. Please refer to paragraph headed “Financial information – Review of historical results of operations – Gross profit and gross profit margin – Public housing” in this prospectus for further details. Despite the above, Project A004 was profitable.

During the Track Record Period and up to the Latest Practicable Date, all of the above completed projects were profitable.

Projects on hand

As at the Latest Practicable Date, we had a total of 26 projects on hand (including projects in progress and projects that have been awarded to us but not yet commenced), details of which are set out below:

Project No.	Location and nature of the projects	Sector of customer	Project commencement date	Expected project completion date (Note 1)	Contract sum (Note 2) (HK\$'000)	Revenue recognised during each year of the Track Record Period and up to the Latest Practicable Date (HK\$'000)	Estimated revenue to be recognised during each financial year going forward (HK\$'000)
A008	Wet trades works for a residential development project in Yuen Long	Private	November 2015	October 2017	63,028	FY2016: 15,293 FY2017: 41,614 LPD: 4,923	FY2018: 7,533 FY2019: –
A012	Wet trades works for a public housing development project in Kwai Chung	Public	March 2016	December 2017	17,336	FY2016: 14 FY2017: 6,036 LPD: 5,014	FY2018: 12,287 FY2019: –
A014	Wet trades works for a residential and commercial development project in Shau Kei Wan	Private	May 2016	December 2017	12,800	FY2016: – FY2017: 8,930 LPD: 3,857	FY2018: 5,379 FY2019: –
A015	Wet trades works for a residential development project in Tin Shui Wai	Public	October 2016	March 2018	45,872	FY2016: – FY2017: 15,004 LPD: 11,633	FY2018: 40,078 FY2019: –
A016	Wet trades works for a residential development project in Wong Chuk Hang	Private	May 2017	June 2018	1,047	FY2016: – FY2017: – LPD: 918	FY2018: 1,015 FY2019: 32
A017	Wet trades works for a residential development project in Mui Wo	Public	October 2016	March 2018	19,764	FY2016: – FY2017: 11,649 LPD: 9,568	FY2018: 17,358 FY2019: –
A018	Wet trades works for a commercial development project in Yau Ma Tei	Private	May 2017	January 2018	2,729	FY2016: – FY2017: – LPD: 912	FY2018: 2,729 FY2019: –
A019	Wet trades works for a residential development project in Tseung Kwan O	Private	May 2017	February 2018	1,748	FY2016: – FY2017: – LPD: 1,450	FY2018: 1,748 FY2019: –

BUSINESS

Project No.	Location and nature of the projects	Sector of customer	Project commencement date	Expected project completion date (Note 1)	Contract sum (Note 2) (HK\$'000)	Revenue recognised during each year of the Track Record Period and up to the Latest Practicable Date (HK\$'000)	Estimated revenue to be recognised during each financial year going forward (HK\$'000)
B006	Wet trades works for a residential development project in Tseung Kwan O	Private	July 2016	October 2017	10,889	FY2016: – FY2017: 9,109 LPD: 920	FY2018: 2,437 FY2019: –
B007	Wet trades works for a residential development project in North Point	Private	September 2016	February 2018	60,244	FY2016: – FY2017: 25,305 LPD: 23,945	FY2018: 37,164 FY2019: –
C007	Wet trades works for a residential development project in Ma Tau Kok	Private	November 2015	October 2017	15,300	FY2016: 1,679 FY2017: 13,315 LPD: –	FY2018: 307 FY2019: –
D006	Wet trades works for a recreational development project in North Point	Private	April 2016	December 2017	1,250	FY2016: – FY2017: 74 LPD: 10	FY2018: 1,186 FY2019: –
E004	Wet trades works for a residential development project in Repulse Bay	Private	November 2015	October 2017	6,800	FY2016: 386 FY2017: 6,686 LPD: 933	FY2018: 1,193 FY2019: –
E006	Wet trades works for a community development project in Pok Fu Lam	Private	November 2016	January 2018	15,864	FY2016: – FY2017: 11,170 LPD: 3,396	FY2018: 5,188 FY2019: –
E007	Wet trades works for a commercial facility development project in Kai Tak	Private	August 2016	June 2018	59,331	FY2016: – FY2017: – LPD: 7,072	FY2018: 42,067 FY2019: 17,498
F001	Wet trades works for a residential development project in Sha Tin	Private	August 2016	February 2018	29,000	FY2016: – FY2017: 18,679 LPD: 11,482	FY2018: 13,482 FY2019: –
F002	Wet trades works for a residential development project in Shau Kei Wan	Private	October 2016	June 2018	40,750	FY2016: – FY2017: 14,651 LPD: 17,675	FY2018: 23,788 FY2019: 3,057
F004	Wet trades works for a residential development project in Tuen Mun	Private	December 2016	December 2018	55,500	FY2016: – FY2017: 1,920 LPD: 33,277	FY2018: 41,615 FY2019: 12,507
F006	Wet trades works for a residential development project in Deep Water Bay	Private	February 2017	December 2017	5,527	FY2016: – FY2017: – LPD: –	FY2018: 5,527 FY2019: –
A020	Wet trades works for a residential development project in Kowloon Tong	Private	July 2017	June 2018	2,483	FY2016: – FY2017: – LPD: –	FY2018: 1,655 FY2019: 828
A021	Wet trades works for a residential development project in Kowloon Tong	Private	July 2017	June 2018	1,542	FY2016: – FY2017: – LPD: –	FY2018: 1,028 FY2019: 514

BUSINESS

Project No.	Location and nature of the projects	Sector of customer	Project commencement date	Expected project completion date (Note 1)	Contract sum (Note 2) (HK\$'000)	Revenue recognised during each year of the Track Record Period and up to the Latest Practicable Date (HK\$'000)	Estimated revenue to be recognised during each financial year going forward (HK\$'000)
A022	Wet trades works for a residential development project in Tseung Kwan O	Private	July 2017	December 2018	600	FY2016: – FY2017: – LPD: 100	FY2018: 300 FY2019: 300
E008	Wet trades works for a residential development project in Tseung Kwan O	Private	July 2017	October 2017	271	FY2016: – FY2017: – LPD: –	FY2018: 271 FY2019: –
A023	Wet trades works for a residential development project in Tseung Kwan O	Private	September 2017	February 2019	215, 119	FY2016: – FY2017: – LPD: –	FY2018: 21,512 FY2019: 193,607
B009	Wet trades works for a community facility development project in Tseung Kwan O	Private	August 2017	September 2018	13,400	FY2016: – FY2017: – LPD: –	FY2018: 6,700 FY2019: 6,700
F007	Wet trades works for a residential development project in Repulse Bay	Private	October 2017	October 2017	80	FY2016: – FY2017: – LPD: –	FY2018: 80 FY2019: –

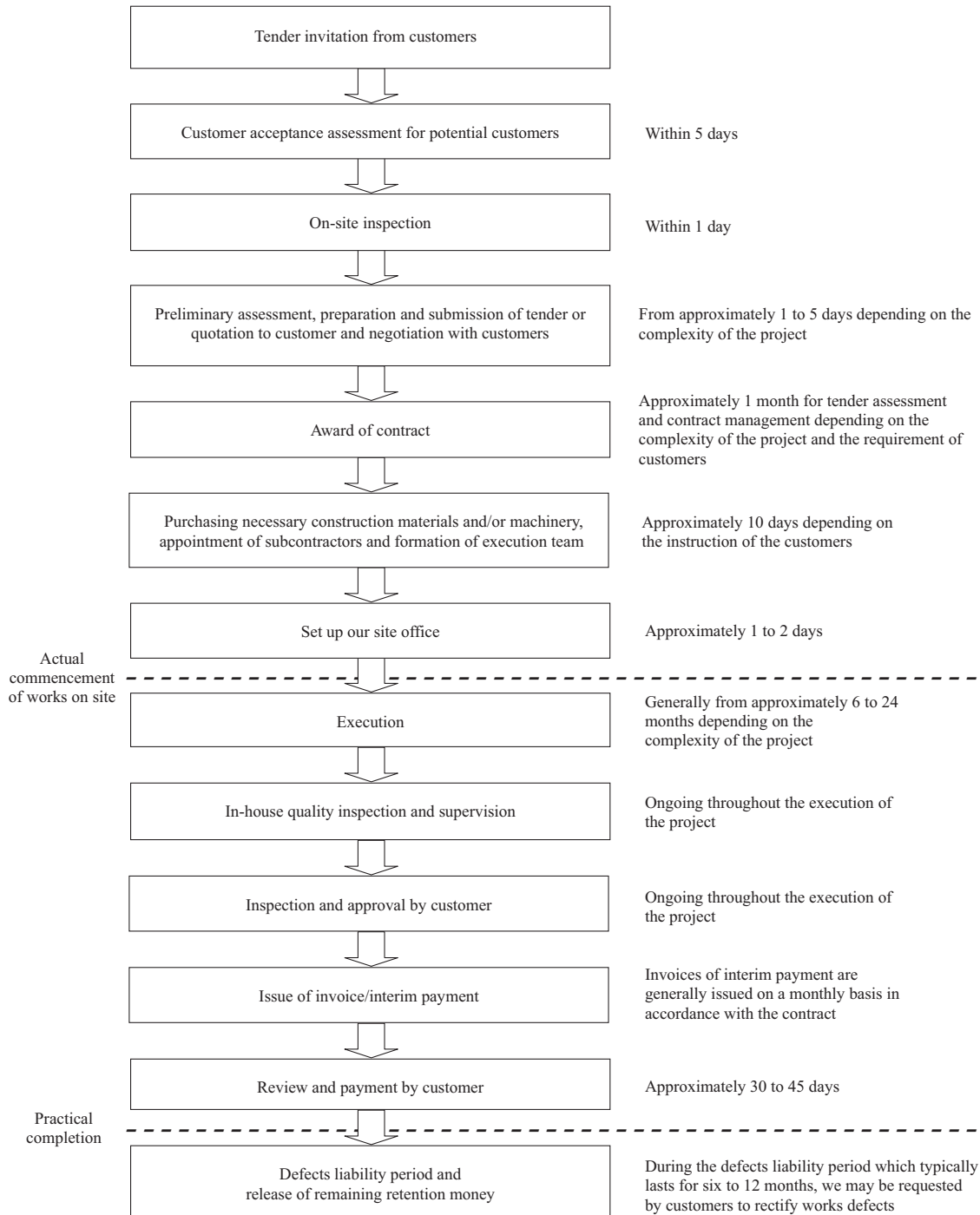
Notes:

1. The expected completion date for a particular contract is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.
2. The contract sum is based on the initial agreement between our customer and us and may not include additions, modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the contract sum.
3. The revenue recognised during each year of the Track Record Period represents the audited revenue recognised for the two years ended 31 March 2017, and the revenue from 1 April 2017 up to the Latest Practicable Date represents the unaudited revenue recognised for the same period, in each case taking account of any additions and modifications due to variation orders (if any).

BUSINESS

OPERATION FLOW

The following diagram summarises the principal steps of our operation flow:



Note: Our Directors confirm that the time frame may vary for different contracts depending on various factors such as the terms of contract, the nature of works to be performed, presence of variation orders and/or our agreement with the customer on the timeframe for the principal steps to be undertaken as well as other unforeseeable circumstances.

BUSINESS

Project identification and invitation by tender

Our projects are typically awarded through tender by invitation. We are usually invited by our customer by way of invitation letters, phone calls or verbal invitations to submit a tender proposal for a potential project as a subcontractor. Our customers are main contractors of various types of building construction projects in Hong Kong. We are also provided with preliminary information on the specifications, site conditions and relevant drawings. For further information of our marketing activities, please refer to the paragraph headed “Customers – Marketing activities” in this section.

Tender analysis and preparation of tenders

After receiving the tender or quotation details, our executive Directors make a preliminary assessment of the requirements of the tender. In our assessment, in considering whether to bid for the tender, we evaluate the profitability of the project, the feasibility of undertaking such project with reference to technical specifications, our expertise and capacity, our available manpower resources, cost of labours and construction materials, project schedule, quality expectation, preliminary safety and environmental risk analysis, accessibility to the work sites and other possible risk factors associated with such project. We may also conduct on-site inspection for a better understanding of the conditions of the site if necessary.

Once our executive Directors consider a potential project to be acceptable based on our review and assessment, our contract manager is responsible for preparing a tender proposal based on the information provided by our prospective customer. The actual contents of our tender proposal or quotation submitted to the main contractor depends on the project nature and requirements from the customers. In the course of preparation of a tender, we also consider the complexity of a potential project, the manpower needed and the tender price. For details of our pricing strategy, please refer to the paragraph headed “Customers – Pricing strategy” in this section. Details of our tender submission are reviewed and approved by our executive Directors before submission to the customer for consideration and tender interview.

BUSINESS

Our tender success rate

The following table summarises our overall tender success rate for each of the two years ended 31 March 2017:

	For the year ended	
	31 March	
	2016	2017
Number of tender invitation received	144	173
Number of tenders submitted	90	100
Number of tenders awarded	12	14
Success rate (%)	13.3	14.0

Note: Tender success rate is calculated by dividing the number of contracts awarded in respect of the tenders submitted during a financial year by the number of tenders submitted during the financial year.

Our overall tender success rate for each of the two years ended 31 March 2016 and 2017 are 13.3% and 14.0%, respectively. Our tender success rate for the year ended 31 March 2016 was slightly lower than the tender success rate for the year ended 31 March 2017 principally because we were occupied with various wet trades projects undertaken during the financial year ended 31 March 2016. Nevertheless, it was our strategy to be responsive to our customers' tender invitations and submit tenders to our existing customers in order to maintain business relationship with our existing customers and maintain our presence in the market. Under such circumstances, our Director believes that we had taken a relatively prudent approach in costs estimation by factoring a higher profit margin which may cause our tender price to be less competitive than the tenders submitted by our competitors during the year ended 31 March 2016. For the year ended 31 March 2017, our tender success rate had improved to 14.0%.

Project acceptance and award of contracts

Upon receipt of our tender, our customer may, by way of interview or enquiries, clarify with us the particulars of our submitted tender. Once our customer decides to engage us, we will normally be informed of its acceptance of our tenders by a written memorandum to us by our customer followed by a formal agreement to be entered into between us and the customer incorporating the detailed terms and conditions of the contract. For the principal terms of our engagement in a typical contract, please refer to the paragraph headed "Customers – Major terms of engagement with our customers" in this section.

Forming a project team

Depending on the scale and complexity of the project, our project team generally comprises the following key personnel: site agent, quantity surveyor, safety officer and safety supervisor.

BUSINESS

Our executive Directors also closely monitor the progress of the project on a continuous basis to ensure that our works meet our customers' requirements and schedule, within budget and in compliance with all applicable laws and regulations. Our project team reports to our executive Directors on project status and identify any issues that need to be resolved from time to time.

Set out below are some general duties performed by our key personnel in a project team:

Site Agent

Our site agent is mainly responsible for communicating with our customers, subcontractors and other members of the project team on the project status, supervising our overall workforce on site, monitoring work efficiency and performance of site workers allocation of resources in a project, reviewing the progress reports. He attends the periodical site meetings with the representatives of main contractors and other subcontractors concerning project progress and site safety.

Our site agent directly reports to our Board on contract management, project status and issues, and attend progress meetings to report the project progress to our customers.

Quantity Surveyor

Our quantity surveyor is responsible for inspecting the work progress on site and preparing payment application. Our quantity surveyor is also required to update our site agent with the latest certified progress from our customers.

Safety Officer and Supervisors

Our safety officer and supervisors are responsible for:

- inspecting work site to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations;
- providing or arrange trainings to the site workers directly employed by our Group or our subcontractors;
- providing updated information in relation to the safety guidelines and regulations to our site agents and quantity surveyors; and
- performing investigation and preparing reports for any injury of the site workers directly employed by our Group or our subcontractors.

Arranging for machinery and equipment

Although our wet trades works are primarily labour intensive, our wet trades works may involve usage of machinery and equipment such as forklift, plaster spraying machine, and plaster mixing machine. For wet trades projects involving plaster works, we have

BUSINESS

increasingly used plaster spraying machines to replace manual operation so as to lower labour costs and further enhance our craftsmanship. We either make use of our own machinery and equipment or rent from external machinery and equipment rental service providers. Our site agents are responsible for managing the machinery and equipment for all projects and determining the types of machinery to be used, the time for the usage of machinery and the transportation logistics of machinery. For details on our machinery and equipment, please refer to the paragraph headed “Machinery and equipment” in this section.

Engagement of subcontractors

Depending on the project schedule, resources level, cost effectiveness and the complexity of the project, we will subcontract different parts of our projects to different subcontractors who are on our list of approved subcontractors. We maintains our own approved list of subcontractors, which are selected based on their quality of work, reputation in the industry, sufficiency of labour, punctuality in delivery and their safety and environmental records. These subcontractors are instructed and closely monitored by our site agents.

Purchasing construction materials and toolings

We are generally responsible for purchasing and providing required materials and toolings to subcontractors for the wet trade projects. The key construction materials that we purchase for our projects mainly include base plaster, tile adhesive, river sand, cement, sand brick and aggregates, while the toolings we used mainly comprise plastering hawk, plastering trowel and brick axe. Our quantity surveyors will determine the quantity, delivery schedule, specifications and type of the construction materials and toolings to be purchased in order to meet our project needs and customers’ requirements. We will then place orders with our approved suppliers and purchase the required materials and toolings on a project basis. Our construction materials are purchased and sent to the site directly from our suppliers. As the materials are generally purchased on a project basis in accordance with the project requirements, we rely on the accurate estimation on the amount of construction materials needed and we normally allow for a small buffer in each batch of order to avoid wastage.

According to the Frost & Sullivan Report, river sand and aggregates, which are scarce natural resources, have been gradually depleted. Given that the main source of river sand and aggregates used in Hong Kong originate from Guangdong Province, where the local government has imposed export quotas to ease the local shortages as demand outstrips supply, wet trades contractors, including our Group, are facing occasional fluctuations in the supply of river sand and aggregates. In the event of a shortage of river sand and aggregates, if we are unable to source sufficient river sand and aggregates promptly to meet the needs of our wet trades projects, our project progress could be delayed and we may not be able to complete the projects on time in accordance with customers’ requirement. In such event, our reputation and our tender success rate in the future may be adversely affected. In response to this, in March 2017, we have planned to stock up river sand and aggregates as inventory to ensure there is no shortage of river sand and aggregates required for our projects. Furthermore, as our contingency plan, we may source river sand and aggregates from overseas suppliers to satisfy our project needs. During the Track Record Period and up to

BUSINESS

the Latest Practicable Date, we did not experience any material claim by our customer arising from any failure to complete our projects on time as a result of any fluctuations in the supply of river sand and aggregates.

Execution

The construction works are executed by our subcontractors under the supervision of our on-site project teams and representatives of our customers. Throughout the execution phase, our site agent will meet our customers to review work progress and to resolve any issues identified during the course of execution. Please refer to the paragraph headed “Our Services – Types of works undertaken” of this section for further details on execution of our wet trades works.

Variation orders

Our customer may, in the course of project execution, place additional orders concerning variation to part of the works that are necessary for completion of the project. Such orders are commonly referred to as variation orders. Variation orders may include (i) additions, omissions, substitutions, alterations, changes in quality, form, character, kind, position or dimension; and (ii) changes to any sequence, method or timing of construction specified in the original contract. We will discuss with our customer to mutually agree on the sum of variation orders which may be added to or deducted from the contract sum mainly with respect to rate of works as set out in the original contract. We are usually notified of a variation order by way of a letter from our customer setting out the detailed works to be carried out as a result of such variation order. If required, we will then obtain quotation from our subcontractors and prepare and submit the rate for such variation order to our customer for approval.

Monitoring and quality inspection

Our executive Directors, with the assistance of our project team, monitor work progress, project performance, risks in delaying the construction programme, comments from our customer and follow-up matters for the project. In general, we hold progress meeting with our customer on a weekly basis throughout the project to keep our customers informed of our projects status and any major issues identified during project execution.

Our site agents are responsible for overall supervision of overall workforce on site to monitor the quality and ensure the projects are executed in accordance with our quality standards. Our site agents are required to prepare monthly progress records on the works performed by our workers and subcontractors. Such monthly progress records are passed to our quantity surveyors for review. Our site agents also monitor work progress and supervise workmanship and quality. Our work progress is also inspected by our quantity surveyors before we prepare payment applications to our customers.

BUSINESS

Customer inspection and application for progress payment

In addition to our quality inspection as described above, our customers or their representatives also inspect our works done from time to time in order to monitor our work quality and confirm completion of the relevant works done before our interim payment applications are certified. Upon completion of such inspection, our customer may issue a report specifying defects that need to be rectified by us (if any).

We are entitled to receive progress payments from our customers. Our application for progress payments is normally made on a monthly basis. Based on the works performed by us in the preceding month, we submit to our customers interim payment applications which generally include details of completed works, the actual quantities of our work done and variation orders (if any) on a monthly basis.

Once our customers approve our payment application, a payment certificate will normally be issued to us within 15 days and our customers will pay us the interim payment within 17 to 35 days after the issue of payment certificate. Our customers usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money. In general, half of the retention money is released to us upon completion of a project and the remaining half of the retention money will be released to us upon expiration of the defects liability period of a project.

Project completion

A contract is normally regarded as practically completed when (i) the wet trades works under the contract have been duly completed as verified by our customer after inspection and there is no apparent defect; (ii) we have handed over the project site to our customer; and (iii) occupation permit has been issued for the relevant building by the Buildings Department in respect of the building project in which we are involved. Once we have completed the entire project to the satisfaction of our customer, our customer will normally release half of the retention money to us upon completion of the project and the remaining half of the retention money will be released to us upon the expiration of the defect liability period.

Our Directors confirm that it generally takes approximately six months to 12 months for us to reach an agreement on the final account with our customers taking into account the value of our work done (including variation orders (if any)) and the retention payables. We normally receive final payment and 50% of the retention money from our customers after the said final account is agreed.

Defects liability period

Our customers normally require a defects liability period, during which we are responsible for rectifying defects or imperfections in relation to our works done which are discovered after completion. The defects liability period typically last for a period of six to 12 months after completion. Upon expiration of the defects liability period, the remaining retention money (usually 50% of the total retention money) will be released to us by our customers.

BUSINESS

CUSTOMERS

Characteristics of our customers

During the Track Record Period, our customers are main contractors of various types of building construction projects in Hong Kong. For information regarding our customers in respect of each of our projects undertaken during the Track Record Period, please refer to the paragraph headed “Our Projects” in this section.

Major customers

For the two years ended 31 March 2017, the percentage of our total revenue attributable to our largest customer amounted to approximately 35.5% and 26.4%, respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 93.1% and 84.0%, respectively. We provide wet trades services for our customers.

Set out below is a breakdown of our revenue by our five largest customers during the Track Record Period and their respective background information:

For the year ended 31 March 2016:

Rank	Customer	Nature	Year(s) of business relationship	Typical credit terms	Payment method	Revenue derived from the customer	
						HK\$'000	%
1.	Customer A	Four construction contractors who are (i) a company established in 2012 as one of the construction arms of a holding company listed on the Main Board of the Stock Exchange which is the infrastructure and services flagship of another company listed on the Main Board of the Stock Exchange; (ii) Hip Hing Construction Company Limited, a company which is principally engaged in the design and construction of building works for private sector clients and is one of the major contractors in Hong Kong; and (iii) Hip Hing Engineering Company Limited and another affiliate, under common control of a company listed on the Main Board of the Stock Exchange	14	Range from 21 days to 30 days from the issue of payment certificate	By cheque	94,970	35.5
2.	Sanfield (Management) Limited	A construction contractor in Hong Kong and a subsidiary of Sun Hung Kai Properties Limited (stock code: 16) which carries on the business of property development for sale and investment. It also has complementary operations in related fields, hotels, property management, construction and insurance and mortgage services	19	Within 17 days from the issue of interim payment certificate, 30 days from the issue of final payment certificate and 33 days from the issue of variation order payment certificate	By cheque	78,745	29.4

BUSINESS

Rank	Customer	Nature	Year(s) of business relationship	Typical credit terms	Payment method	Revenue derived from the customer	
						HK\$'000	%
3.	Customer B	Two construction contractors who are affiliated entities under common control of a company listed on the Main Board of the Stock Exchange which is one of the leading providers of construction services in Asia	17	Within 30 days from the issue of payment certificate	By cheque	32,551	12.2
4.	Hip Hing – Chun Wo Joint Venture (GH)	A construction contractor in Hong Kong which is joint venture of a subsidiary of Customer A and another reputable construction contractor in Hong Kong	2	Within 30 days from the issue of payment certificate	By autopay	28,750	10.8
5.	Customer C	A construction contractor in Hong Kong, which was established in 1986 and since then has been involved in residential, industrial, commercial and hotel construction projects, and a subsidiary of a company listed on the Main Board of the Stock Exchange	6	With in 30 days from the issue of payment certificate	By autopay	13,958	5.2
Five largest customers combined						248,974	93.1
All other customers						<u>18,434</u>	<u>6.9</u>
Total revenue						<u><u>267,408</u></u>	<u><u>100.0</u></u>

BUSINESS

For the year ended 31 March 2017:

Rank	Customer	Nature	Year(s) of business relationship	Typical credit terms	Payment method	Revenue derived from the customer	
						HK\$'000	%
1.	Sanfield (Management) Limited	A construction contractor in Hong Kong and a subsidiary of Sun Hung Kai Properties Limited (stock code: 16) which carries on the business of property development for sale and investment. It also has complementary operations in related fields, hotels, property management, construction and insurance and mortgage services	19	Within 17 days from the issue of interim payment certificate, 30 days from the issue of final payment certificate and 33 days from the issue of variation order certificate	By cheque	75,364	26.4
2.	Customer A	Four construction contractors who are (i) a company established in 2012 as one of the construction arms of a holding company listed on the Main Board of the Stock Exchange which is the infrastructure and services flagship of another company listed on the Main Board of the Stock Exchange; (ii) Hip Hing Construction Company Limited, a company which is principally engaged in the design and construction of building works for private sector clients and is one of the major contractors in Hong Kong; and (iii) Hip Hing Engineering Company Limited and another affiliate, under common control of a company listed on the Main Board of the Stock Exchange	14	Range from 21 days to 30 days from the issue of payment certificate	By cheque	73,960	25.9
3.	Hip Hing – Chun Wo Joint Venture GH	A construction contractor in Hong Kong which is, joint venture of a subsidiary of Customer A and another reputable construction contractor in Hong Kong	2	Within 30 days from the issue of payment certificate	By autopay	42,016	14.7
4.	Customer D	A construction contractor in Hong Kong found in 1973 and mainly engaged in the construction projects, both private and public sector	14	Within 30 days from the issue of payment certificate	By cheque	25,365	8.9
5.	Customer E	Three construction contractors who are affiliated entities under common control of a company listed on the Main Board of the Stock Exchange with core businesses of property development and property investment	19	Within 30 days from the issue of payment certificate	By cheque	23,183	8.1
Five largest customers combined						239,888	84.0
All other customers						<u>45,542</u>	<u>16.0</u>
Total revenue						<u>285,430</u>	<u>100.0</u>

BUSINESS

None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period.

For the two years ended 31 March 2016 and 2017, the percentage of our total revenue attributable to our five largest customers in aggregate amounted to approximately 93.1% and 84.0% respectively. The percentage of our total revenue attributable to our largest customer amounted to approximately 35.5% and 26.4% respectively for the same periods. Our Directors considered that it is of strategic importance for wet trades subcontractors (including our Group) to maintain a stable and close relationship with a few reputable main contractors. In the meantime, we experienced a strong demand for our services from customers during the Track Record Period as evidenced by a large number of tender invitations that we received from customers during the Track Record Period. Please refer to the paragraph headed “Operation flow – Tender analysis and preparation of tenders – Our tender success rate” in this section for further details. We have long-term business relationships with a majority of our major customers for periods ranging from 6 years to 19 years and we will therefore endeavour to accommodate their demands for our services to the extent our available working capital and manpower resources allow in order to capture more opportunities for wet trades projects in the future.

Marketing activities

During the Track Record Period, we secured new businesses mainly through tender by invitation. Our Directors consider that due to our proven track record and our well-established relationship with our existing customers, we are able to leverage our existing customer base, reputation and our years of experience in wet trades projects such that we do not rely heavily on marketing and promotional activities.

Furthermore, we were invited by the Hong Kong Housing Society to participate in the production of the “Quality Field Practices (QFP)” video series with the aim to set a benchmark of good and proper workmanship for the site staff and contractors undertaking wet trades works. Our Directors believe that the video series have been well received by the construction industry, academia and the general public. The Hong Kong Housing Society has used the video series for teaching purpose for the Construction Industry Training Authority (which is now known as the Construction Industry Council Training Academy), the Vocational Training Council, as well as five universities in Hong Kong. Our effort to promote quality construction in Hong Kong has helped set a benchmark of good and proper workmanship standard for the wet trades industry and this has fostered our corporate image and further enhance our customer confidence and hence attract more business opportunities.

We do not maintain a specialised team of sales and marketing staff. Our executive Directors are generally responsible for liaising and maintaining our relationship with customers and keeping abreast of market developments and potential business opportunities. Moreover, we believe that the Listing will be a breakthrough in promoting our Group to the construction industry as well as the general public and hence, further enhancing our brand and future business development.

BUSINESS

Pricing strategy

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

- the estimated number and types of workers required;
- the difficulties and methodology of the project;
- the availability of our manpower resources and any further subcontracting as may be necessary;
- the estimated number and types of machines required;
- the completion time requested by customers;
- accessibility to the work site and the vicinity;
- the likelihood of any significant fluctuation of the actual cost from our estimated cost having regard to the types and amount of labour, machinery, materials and other resources involved in our cost estimation; and
- the prevailing market conditions in general.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any loss-making projects as a result of material inaccurate estimation or cost overruns.

Major terms of engagement with our customers

Our customers engage us on a project basis and our customers do not enter into long-term agreements with us. The following summarises the major terms of engagement with our customers:

- | | | |
|------------------------|---|--|
| <i>Contract period</i> | : | The period within which the project is expected to be completed commencing from the date when we are allowed to commence work at the works site. The contract period varies depending on the project size and complexity. However, such period may be extended pursuant to the terms of the relevant contract. |
| <i>Scope of works</i> | : | This term identifies the types and scope of works in details which we are engaged to perform under the contracts. For details, please refer to paragraph headed “Our Services” in this section. |

BUSINESS

- Bills of quantities or schedule of rates* : Most of our contracts would include the bills of quantities or schedule of rates which generally contain the description of the types of work, specifications, quantities of works to be done and the unit rates for each type of works under the project.
- Payment terms* : For interim or progress payment, we generally provide our customers with a written statement of the details of completed works and the estimated fee of our work done along with any variation orders (if any) on a monthly basis. For details, please refer to the paragraphs headed “Operation flow – Customer inspection and application for progress payment” and “Operation Flow – Project completion” in this section.
- Retention money* : Our customers may hold up a certain percentage of each interim payment made to us as retention money. Such percentage is generally 10%, subject to a ceiling up to 5% of the total contract sum of a project. 50% of the retention money withheld are normally released to us upon completion and the remaining 50% is released to us upon expiry of the defect liability period.
- As at 31 March 2016 and 2017, our retention monies receivables amounted to approximately HK\$22.1 million and HK\$28.9 million, respectively. Please refer to the section headed “Financial Information – Discussion of Selected Combined Statements of Financial Position Items – Trade and other receivables” in this prospectus for a further discussion and analysis regarding our trade and other receivables.
- Surety bonds* : Our customers may require us to arrange for surety bonds in the amount of certain percentage, usually 10% to 20%, of the awarded contract sum in favour of our customers to ensure our due performance and observance of a subcontract.

BUSINESS

Liquidated damages : A contract may contain clauses on liquidated damages to protect our customers against any significant delay in completion of works subcontracted to us. However, under certain circumstances such as poor weather conditions or issue of variation orders, our customers may grant us extension of time without a need to pay liquidated damages to our customers. During the Track Record Period and up to the Latest Practicable Date, no liquidated damages had been claimed by our customers against us by reason of late completion of any of the contracts undertaken by us.

Indemnities : For most of our contracts, we are required to indemnify our customers against (a) all losses, liabilities, claims, damages, costs, charges and expenses which may arise out of or in connection with any breach of the subcontract, negligence, non-compliance of any laws and regulations, omission on the part of our Group, our employees, our subcontractors, our subcontractors' employees or any persons in connection with us or (b) any loss, liabilities, claims, damages, costs, charges and expenses resulting from any bodily injuries, death or occupational diseases of our employees, our subcontractors, our subcontractors' employees or any persons in connection with us (to the extent that is not covered by insurance). Our Directors confirm that we had not experienced any material claims by our customers during the Track Record Period and up to the Latest Practicable Date.

Termination : If, in the opinion of our customers, we fail to execute the works in accordance with our customers' requirements and our works are unsatisfactory or likely to be so and cause undue delay to the overall progress of the project, our customer may terminate our contract by giving advance notice of intention of doing so.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any early termination of contracts by our customers.

BUSINESS

Defects liability period : We are generally subject to a defects liability period and we are responsible for rectifying all defective works, if any, at our own expense during such period. The defects liability period, which is normally 12 months depending on the nature and scale of the project, commences upon the date of practical completion of the contract.

If any defects or imperfections are identified, we will undertake rectification works so that the defects can be remedied as soon as practicable. We will then arrange our site workers to execute the rectification works at our own costs or, where applicable, require the relevant subcontractor to rectify the defects and/or bear the rectification costs. During the Track Record Period, we did not experience any material claim by our customers arising from defective works.

Credit management and collection of our trade receivables and retention monies receivables

Our Group does not have a standardised and universal credit period granted to our customers, and the credit period of individual customer is considered on a case-by-case basis. The typical credit terms stipulated in the contracts during the Track Record Period were 17 to 35 days from the issue of payment certificate. Our accounts receivable is normally settled by cheque or autopay in Hong Kong dollars. We determine specific provision for doubtful debts relating to accounts receivable on a case-by-case basis and provision is made when there is objective evidence that our Group will not be able to collect part or all of the outstanding debts.

As at 31 March 2016 and 2017, we recorded trade receivables of approximately HK\$11.6 million and HK\$16.3 million, respectively, of which approximately HK\$3.9 million and approximately HK\$4.5 million, respectively had been past due but not impaired. For the two years ended 31 March 2017, our debtors' turnover days were approximately 11.9 days and 17.8 days, respectively. In addition, we had concentration of credit risk of approximately 11.0% and 10.3% of our total net trade receivables as at 31 March 2016 and 2017, respectively, which were due from our largest customers, and approximately 97.8% and 33.6% of our total net trade receivables as at 31 March 2016 and 2017 were due from our five largest customers.

During the Track Record Period, one of our five largest customers (i.e. Customer C) did not settle payment in full and the gross balance due from Customer C as at 31 March 2017 was approximately HK\$4.2 million. For further details, please refer to the paragraphs headed "Financial Information – Review of historical results of operations – Administrative and other operating expenses" and "Financial Information – Discussion of selected combined statements of financial position items – Trade and other receivables" in this prospectus. All other customers of our Group managed to make full payment during the Track Record Period.

BUSINESS

In order to mitigate our risk in relation to the collectability of our trade receivables and retention monies receivables, we have implemented the following measures:

- Before deciding whether to submit a tender proposal, we normally consider factors such as the creditworthiness of the relevant customers and the key project terms in relation to the project's execution. Customer acceptance procedures are performed on our customers, including but not limited to (i) checking our internal record regarding the payment history of the existing customer; and (ii) for sizeable projects, depending on the situation and conducting appropriate searches to ascertain the potential customer's credibility.
- We closely monitor the payments from our customers pursuant to the terms of each respective project. Regular meetings are held among our executive Directors, project teams and finance department to review the aging status of our accounts receivable. Material overdue payments are monitored continuously and evaluated on a case-by-case basis and appropriate follow-up actions will be taken having regard to the customer's normal payment processing procedures, our business relationship with the customer, past reputation, its financial position as well as the general economic environment.
- Follow-up actions generally include but not limited to issuing payment reminders, actively liaising with customers, and, if necessary, taking legal actions.
- We review the recoverable amount of each individual receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts.

Please also refer to the section headed "Financial Information – Discussion of Selected Combined Statements of Financial Position Items – Trade and other receivables" in this prospectus for a further discussion and analysis on our trade receivables and our trade receivables turnover days during the Track Record Period.

Seasonality

Our Directors believe that the industry in which we operate does not exhibit any significant seasonality.

SUPPLIERS

Characteristics of our suppliers

During the Track Record Period, suppliers of goods and services to our Group mainly include: (i) subcontractors; (ii) suppliers of the construction materials and toolings; (iii) machinery and equipment rental service providers; and (iv) suppliers of other parts and consumables and other miscellaneous goods including personal protective equipment used by our on-site workers such as reflective vests and safety helmets.

BUSINESS

We generally order the relevant construction materials and services on a project-by-project basis. We therefore do not enter into any long-term supply agreements with our suppliers. Our Directors believe that we have maintained good business relationships with our suppliers. As at the Latest Practicable Date, there were over 77 suppliers in our approved list of suppliers. We select our suppliers from our approved list based on their prices, quality, past performances and timeliness of delivery. Our suppliers of construction materials normally grant us a credit period of not more than 30 days from the invoice date. For our subcontractors, we are generally required to settle their interim payment on monthly basis within seven days from the date of their payment application.

During the Track Record Period, we did not experience any material difficulties or delays in performing our projects caused by material shortage or delay in the supply of goods and services that we required. Our Directors consider that the possibility of a material shortage or delay is low given the abundance of suppliers of the same kind in the market, save and except for river sand and aggregates, which are primarily sourced from Guangdong Province and subject to export quotas imposed by the local government, details of which are set out in the paragraph headed “Inventories” in this section.

Prices of supplies are determined by reference to quotations of suppliers as agreed between us and the suppliers on an order-by-order basis. Our Directors consider various factors, including but not limited to the future price trend of the materials and services when preparing tender proposals and hence we could generally pass on the increase in costs to our customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuations in the costs of materials and services that had a material impact on our business, financial condition or results of operations.

The following table sets out a breakdown of our total purchases by type during the Track Record Period:

	For the year ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Subcontracting fee	214,482	92.7	246,052	92.0
Material and toolings	15,897	6.9	20,458	7.7
Rental of machinery and equipment	465	0.2	312	0.1
Delivery charge	383	0.2	496	0.2
Total purchases:	<u>231,227</u>	<u>100.0</u>	<u>267,318</u>	<u>100.0</u>

During the Track Record Period, our suppliers were located in Hong Kong and all our purchases are denominated in HK\$.

BUSINESS

Subcontractors

It is a common industry practice for subcontractors to further subcontract their works to other subcontractors. Our subcontractors are instructed and closely monitored by our site agents. During the Track Record Period, all of our subcontractors were located in Hong Kong and all of our service fees were denominated in HK dollars.

Our subcontractors are mainly responsible for providing labour resources for our wet trades projects and generally do not assume the responsibility of purchasing materials and toolings required for the wet trades projects. We are accountable to our customers for the works performed in a project, including those carried out by our subcontractors. Unless otherwise specified in the contracts with our customers, our customers generally consent to our use of subcontractor for a project and do not limit which subcontractor to be used by us.

For the two years ended 31 March 2017, we incurred subcontracting charges of approximately HK\$214.8 million and HK\$224.1 million, respectively. Please refer to the section headed “Financial Information – Key factors affecting our results of operations and financial conditions – Direct labour costs and subcontracting charges” in this prospectus for the relevant sensitivity analysis.

Basis of selection of subcontractors

We carefully evaluate the performance of our subcontractors and select subcontractors based on a range of factors such as their background, technical capability, experience, fee quotations, service quality, track records, labour resources, time schedule to be performed by the subcontractors, reputation and safety performance. Based on these factors, we select and maintain a list of approved subcontractors and such list is updated according to our assessment of their performance on a continuous basis.

Key terms of our subcontracting arrangements with our subcontractors

We engage our subcontractors on a project basis and do not enter into long-term agreements with subcontractors. The following summarises the key arrangements with our subcontractors:

<i>Contract period</i>	:	There is no specific term regarding the duration of the subcontracting agreements. The subcontractors are obligated to perform the subcontracting works with reference to the contract term of the main contract between us and our customers.
------------------------	---	--

BUSINESS

Subcontracting charges and payment terms : The subcontracting fee to be received by the subcontractor is subject to re-measurement and valuation according to the schedule of rates included in the subcontract and further subject to any variation orders or additional works to be performed by the subcontractors with our prior consent. In general, we determine the amount of subcontracting charges based on (i) certain percentage of the amount of fees to be received by us from our customers in respect of the portion of works being subcontracted; (ii) the amount of labour resources required from our subcontractors; (iii) the nature of works to be performed by our subcontractors; and (iv) the prevailing market conditions. There is no price adjustment clause in the subcontracts between our Group and our subcontractors.

We usually pay interim payment to our subcontractors on monthly basis within 7 days of the date of their payment application. Therefore, our Directors consider that our payment pattern does not deviate from the SOPL and our payment practice and cash management will not be materially affected by the SOPL if it becomes effective.

Safety : The subcontractor shall comply with the provision of statutory safety regulations relating to carrying out of the subcontracting works. The subcontractor shall also indemnify our Group against any expenses, penalties and other losses incurred as a result of the subcontractors' non-compliance with the safety laws and regulations.

Although we are entitled to be indemnified from our subcontractors for such penalties incurred, during the Track Record Period and up to the Latest Practicable Date, no such penalties paid by us was charged back to the subcontractors as our Directors consider that it may not be appropriate to seek indemnity from these subcontractors in order to maintain a long-term business relationship with them.

Environment : The subcontractor shall comply with the provision of statutory environment protection regulations relating to carrying out of the subcontracting works. The subcontractor shall also indemnify our Group against any expenses, penalties and other losses incurred as a result of the subcontractors' non-compliance with the environmental laws and regulations.

BUSINESS

- Quality* : The subcontractor shall complete the subcontracting works with good quality in accordance with our quality standard and the customers' requirements.
- Illegal workers* : The subcontractor shall comply with the provision of statutory employment laws and regulations relating to the recruitment of workers for the subcontracting works. The subcontractor is obligated to ensure the valid identity of its workers and bear the full liability for hiring any illegal workers.

Control over subcontractors

We may be liable to our customers for the performance of our subcontractors and we may also be liable to any potential employee compensation claims and personal injuries claims made by our subcontractors' employees arising from work injuries that may happen from time to time. Therefore, we carry out regular assessment of our subcontractors during the course of a project to ensure quality and safety of their works. In order to closely monitor the performance of our subcontractors and to ensure that the subcontractors comply with the contractual requirements and the relevant laws and regulations, we require our subcontractors to follow our internal control measures in relation to quality control, safety and environmental compliance. Our site agents, safety officer and supervisors conduct regular site inspection to ensure general compliance by our subcontractors in quality, safety and environmental requirements. During project implementation, regular meetings with our subcontractors are held in order to closely monitor their work progress and performance as well as their compliance with our safety measures and quality standards. For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the paragraphs headed "Quality control", "Occupational health and safety" and "Environmental protection" in this section.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that there were no material disputes between our Group and our customers with respect to the quality of work performed by us and our subcontractors and we do not have any material dispute or claim with our subcontractors and our suppliers.

Designated Workers for Designated Skills Provision

On 1 April 2017, the "designated workers for designated skills" provision under the Construction Workers Registration Ordinance came into effect, whereby construction workers will generally be forbidden from undertaking the construction works of the designated trade divisions unless they are registered skilled or semi-skilled workers for the relevant trade division or under the instruction and supervision of the relevant skilled or semi-skilled workers. Please refer to the section headed "Regulatory Overview – A. Laws and Regulations in relation to Construction Labour, Health and Safety" in this prospectus for further details. As at the Latest Practicable Date, all of our site staff carrying out construction works on our construction sites were registered as registered construction

BUSINESS

worker under the Construction Workers Registration Ordinance. Our Group will ensure that our subcontractors and their employees will be registered under the required trade divisions for the wet trades projects undertaken by us.

Major suppliers

For the two years ended 31 March 2017, the percentage of our total purchases incurred from our largest supplier amounted to approximately, 4.4% and 6.6% of our total purchases incurred, respectively, while the percentage of our total purchases incurred from our five largest suppliers combined amounted to approximately 15.5% and 16.7% of our total purchases incurred, respectively. During the Track Record Period, our suppliers were located in Hong Kong and our purchases are denominated in HK\$.

Set out below is a breakdown of our total purchases incurred by our five largest suppliers during the Track Record Period and their respective background information:

For the year ended 31 March 2016:

Rank	Supplier	Principal business activities	Type of services purchased by us from the supplier	Year(s) of business relationship	Credit term	Payment method	Purchases by us from the supplier	
							HK\$'000	%
1.	Supplier A	A wet trades subcontractor in Hong Kong	Brick laying work	6	7 days	By autopay or cheque	10,086	4.4
2.	Supplier B	A wet trades subcontractor in Hong Kong	Plastering work	4	7 days	By autopay or cheque	6,979	3.0
3.	Supplier C	A wet trades subcontractor in Hong Kong	On-site logistic service	4	7 days	By autopay or cheque	6,482	2.8
4.	Supplier D	A wet trades subcontractor in Hong Kong	Tile laying work	4	7 days	By autopay or cheque	6,274	2.7
5.	Supplier E	A wet trades subcontractor in Hong Kong	Plastering work	7	7 days	By autopay or cheque	6,125	2.6
Five largest suppliers combined							35,946	15.5
All other suppliers							195,281	84.5
Total purchases:							231,227	100.0

BUSINESS

For the year ended 31 March 2017:

Rank	Supplier	Principal business activities	Type of services purchased by us from the supplier	Year(s) of business relationship	Credit term	Payment method	Purchases by us from the supplier	
							HK\$'000	%
1.	Supplier A	A wet trades subcontractor in Hong Kong	Brick laying work	6	7 days	By autopay or cheque	17,538	6.6
2.	Supplier B	A wet trades subcontractor in Hong Kong	Plastering work	4	7 days	By autopay or cheque	10,814	4.0
3.	Supplier F	A wet trades subcontractor in Hong Kong	On-site logistic service	3	7 days	By autopay or cheque	5,905	2.2
4.	Supplier G	A wet trades subcontractor in Hong Kong	Miscellaneous wet trades work	11	7 days	By autopay or cheque	5,664	2.1
5.	Supplier H	A wet trades subcontractor in Hong Kong	Plastering work	2	7 days	By autopay or cheque	4,695	1.8
Five largest suppliers combined							44,616	16.7
All other suppliers							<u>222,702</u>	<u>83.3</u>
Total purchases:							<u>267,318</u>	<u>100.0</u>

None of our Directors, their close associates, or any Shareholders who to our Directors' knowledge owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

Contra-charge arrangement with our major customer who is also our supplier

It is not uncommon in the construction industry that a main contractor may pay on behalf of its subcontractor for certain expenses for a construction project. Such expenses are typically deducted from its payments to that subcontractor in settling its service fees for the project. Such payment arrangement is referred to as the "contra-charge arrangement" and the amounts involved are referred to as the "contra-charge".

BUSINESS

As disclosed in the paragraph headed “Operation Flow – Purchasing construction materials and toolings” in this section, our Group is generally responsible for purchasing and providing the required materials and toolings to subcontractors for our wet trades works in which case our Group purchases the materials for our projects directly from our suppliers chosen by our Group. In cases where our customers are responsible for purchasing and providing materials for our wet trades work, our customers usually discuss with our Group on the choice of materials and suppliers and make such purchases from suppliers recommended or chosen by our Group.

During the Track Record Period, we had contra-charge arrangement with our five largest customers during the Track Record Period. Such contra-charge mainly consisted of costs of labour for the miscellaneous works, such as waste disposal and on-site office setup, for our projects incurred by our customers in advance and it was settled by way of contra-charge to the account with such customer. Effectively, the payments due to us from our customer will be settled after netting off such contra-charge amounts. For each of the two years ended 31 March 2017, our contra-charge incurred amounted to approximately HK\$0.2 million and approximately HK\$1.0 million respectively. As we settled such costs by way of contra-charge by netting off with the payments due from our customer, both cash inflows from the project work done and cash outflows for the costs of labour incurred by our customers in advance were reduced by the same amount. Given the amounts involved were insignificant, the contra-charge arrangement had no material effect on our Group’s cashflow positions during the Track Record Period.

BUSINESS

The following table sets forth the information on our five largest customers during the Track Record Period from whom we had contra-charge arrangement during the Track Record Period:

	For the year ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Customer A				
Revenue derived an approximate % of total revenue	94,970	35.5%	73,960	25.9%
Contra-charge charged by Customer A and approximate % of total costs	29	0.0%	304	0.1%
Sanfield (Management) Limited				
Revenue derived an approximate % of total revenue	78,745	29.4%	75,364	26.4%
Contra-charge charged by Sanfield (Management) Limited and approximate % of total costs	3	0.0%	–	0.0%
Customer B				
Revenue derived an approximate % of total revenue	32,551	12.2%	4,851	1.7%
Contra-charge charged by Customer B and approximate % of total costs	208	0.1%	2	0.0%
Hip Hing – Chun Wo Joint Venture				
Revenue derived an approximate % of total revenue	28,750	10.8%	42,016	14.7%
Contra-charge charged by Hip Hing – Chun Wo Joint Venture and approximate % of total costs	–	–	206	0.1%
Customer C				
Revenue derived an approximate % of total revenue	13,958	5.2%	16,704	5.9%
Contra-charge charged by Customer C and approximate % of total costs	–	–	41	0.0%
Customer D				
Revenue derived an approximate % of total revenue	408	0.2%	25,365	8.9%
Contra-charge charged by Customer D and approximate % of total costs	–	–	2	0.0%
Customer E				
Revenue derived an approximate % of total revenue	6,174	2.3%	23,183	8.1%
Contra-charge charged by Customer E and approximate % of total costs	–	–	119	0.0%

INVENTORIES

We generally do not maintain any inventories during the Track Record Period as our construction materials are purchased and consumed on a project-by-project basis. However, according to the Frost & Sullivan Report, river sand and aggregates, which are scarce natural resources and the main types of raw materials required for wet trades, have been gradually depleted. Given that the main source of river sand and aggregates used in Hong Kong originate from Guangdong Province, where the local government has imposed export

BUSINESS

quotas to ease the local shortages as demand outstrips supply, wet trades contractors, including our Group, are facing occasional fluctuations in the supply of river sand and aggregates. According to Frost & Sullivan Report, construction companies in Hong Kong tend to stock up inventory to stabilise supply of river sand and aggregates to satisfy the project needs. In response to this, in March 2017, we have rented a warehouse in Tuen Mun to stock up river sand and aggregates and carry out ancillary trading of such materials so as to ensure that there is no shortage of river sand and aggregates required for our projects.

MACHINERY AND EQUIPMENT

Although our wet trades works are primarily labour intensive, our wet trades works may involve usage of machinery and equipment such as forklift, plaster spraying machine, plaster mixing machine and other parts and consumables. For wet trades projects involving plastering works, we have increasingly used plaster spraying machines to replace manual operations so as to lower labour costs and further enhance our craftsmanship. We either make use of our own machinery and equipment or rent from external machinery and equipment rental service providers. Our site agents are responsible for managing the machinery and equipment for all projects and determining the types of machinery to be used, the time for the usage of machinery and the transportation logistics of machinery.

For the two years ended 31 March 2017, we acquired new machinery and equipment in the amount of approximately HK\$0.6 million and HK\$1.1 million at cost, respectively. As at 31 March 2017, our machinery and equipment carried a net book value of approximately HK\$1.7 million.

Set out below are the major types of machinery and equipment used by our Group:

(i) Forklifts



BUSINESS

A forklift is a small vehicle with two power-operated prongs at the front that can be slid under heavy loads and then raised for moving and stacking materials in a short distance area. We purchase machinery insurance for our forklifts.

(ii) Plaster spraying machines



A plaster spraying machine is a type of machine which enables a plasterer to skim a wall more quickly than using a hand float manually. The main benefit of using a plaster spraying machine is to speed up the plastering process. For wet trades projects involving plastering works, we have increasingly used plaster spraying machines to replace manual operation so as to lower labour costs and further enhance our craftsmanship.

The following table sets out the usage information of our major types of machinery and equipment as at 31 March 2017:

Type of machinery and equipment	Weighted average age <i>(Note)</i> <i>(years)</i>	Expected useful life <i>(years)</i>
Forklift	2.47	4
Plaster spraying machine	0.25	4

Note: Weighted average age is calculated by aggregate age of each type of machinery or equipment divided by total number of respective type of machinery or equipment.

BUSINESS

With the possession of our own machinery and equipment, we do not have to rely completely on our suppliers for machinery and equipment rental services. During the Track Record Period, we rented machinery and equipment including aerial scissor platforms, track-mounted cranes and forklifts from independent third parties. For the two years ended 31 March 2017, our machinery and equipment rental cost incurred from transactions with independent third parties amounted to HK\$0.6 million and HK\$0.2 million, respectively.

Our Directors also consider that having our own machinery and equipment allows us to devise suitable works schedules tailored to the different needs and requirements of different customers and enables us to efficiently and effectively schedule our projects and deploy our manpower.

Repair and maintenance

Our site agents are responsible for managing the machinery and equipment at the site and performing routine checks to ensure they are functional for project execution purposes. For malfunction machinery and equipment that requires major examination and/or specialised skills, we will send such malfunctioning machinery and equipment to the dealer for repairs if the machinery is still under warranty, or send to other third party repair companies. For the two years ended 31 March 2017, our repair and maintenance expenses amounted to approximately HK\$91,850 and HK\$206,000, respectively.

Age and replacement cycle of machinery and equipment

The following table sets out a breakdown of the value of our machinery and equipment by different age groups as at the Latest Practicable Date:

	Number of units of machinery and equipment	Net book value of machinery and equipment <i>HK\$'000</i>	Original cost of acquisition of machinery and equipment <i>HK\$'000</i>
Less than 1 year	12	902	1,034
1 year to less than 3 years	9	504	1,175
3 years to less than 5 years	3	43	493
5 years or above	<u>1</u>	<u>–</u>	<u>168</u>
Total:	<u>25</u>	<u>1,449</u>	<u>2,870</u>

Our Directors consider that as at the Latest Practicable Date, our existing machinery and equipment were in operating conditions in general. We do not have a pre-determined or regular replacement cycle for our machinery. Replacement decisions are made on a case-by-case basis having regard to the operating condition of each unit of machinery and the cost effectiveness of replacing only the malfunctioning parts. We replace aged machinery and equipment when it is imperative to do so with reference to factors such as their operating condition and the cost effectiveness of such replacement. Our Group will continue

BUSINESS

to evaluate the operating condition, effectiveness and efficiency of our machinery and equipment and assess our need for additional machinery and equipment in view of our business development.

Safekeeping of machinery and equipment

Machinery and equipment that are in use at work sites are kept under the general management of the respective active work sites. As at the Latest Practicable Date, all of our machinery and equipment are put into operation in construction sites and no storage of idle machinery and equipment is required.

Financing arrangements for the purchase of motor vehicles and machinery

During the Track Record Period, our Group acquired certain motor vehicles and machinery by way of finance leases. Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the motor vehicles and machinery to our Group as the lessee, the relevant motor vehicles and machinery were accounted for as our Group's assets under the category of plant and equipment. Our Group had motor vehicles and machinery under finance leases with net book value amounting to approximately HK\$1.1 million as at 31 March 2016 and nil as at 31 March 2017, representing approximately 80.6% and nil of the net book value of motor vehicles and machinery as at 31 March 2016 and 2017, respectively.

Service capacity and utilisation rate

Our Directors consider that due to the nature of our business and operations, it is not feasible and not practicable to quantify and disclose detailed service capacity and utilisation rate of our machinery and equipment for the following reasons:

- (a) The functions of forklifts and plaster spraying machines are different and it is therefore not entirely feasible to quantify the capacity of these machinery and equipment by making reference to an objective and comparable scale or standard of measurement.
- (b) The utilisation rate of the forklifts and plaster spraying machines cannot be clearly defined. A typical wet trades project require the use of the forklifts and plaster spraying machines at different stages, and occasionally they may be left unused in active construction sites pending completion of other stages.
- (c) Even though our machines are sometimes left unused in active construction sites, it is necessary to ensure they are readily available at the construction sites to meet our customers' construction schedule and requirements which may be irregular and subject to change. During the Track Record Period, our machinery and equipment were fully deployed during the project period ranging from 6 months to 24 months. Hence, our Directors consider that our machines were put to use for the entire project period.

BUSINESS

- (d) It is also our policy to set aside certain forklifts and plaster spraying machines on stand-by mode to meet any contingency in the course of our business operation (e.g. machinery breakdown) to ensure our wet trades works will remain uninterrupted.
- (e) Forklifts and plaster spraying machines are also sometimes left unused for repair or maintenance by third party repair companies.

In view of the above, it would be difficult and impracticable to define accurate utilisation rate of the forklifts and plaster spraying machines in general and to make a full account of the daily/hourly usage of each forklift and plaster spraying machine. Nevertheless, we will optimise our operational efficiency and capacity by scheduling the use of suitable machinery and equipment at suitable time with reference to our project need.

QUALITY CONTROL

To maintain consistent quality services for our customers, we have established formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2015. We have in-house quality assurance requirements that conform to the ISO 9001:2015 quality standards specifying, among other things, specific work procedures for performing different types of site works, management process, responsibilities of personnel of different levels, tendering process, cost control, quality inspection procedures and standards, subcontracting requirements and accident reporting and complaints and work procedures for operating different types of machinery and equipment. Our workers and our subcontractors are required to follow such procedures.

Mr. Eric Tse, our executive Director, is responsible for our overall quality control. For the background and industry experience of Mr. Eric Tse, please refer to the section headed “Directors and Senior Management” in this prospectus.

Quality control on our services

Our executive Directors, with the assistance of our site agents, closely monitor the progress of each project to ensure that our service (i) meets our customer’s requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant rules and regulations. In particular, we implement the following quality control measures:

- Our site agents assist our quantity surveyors and our executive Directors to monitor overall work quality and project progress, perform on-site inspections and supervise site workers on a daily basis. They will timely inform our quantity surveyors and our executive Directors of the project status and any quality issues arising from project execution.

BUSINESS

- We also closely supervise the work quality of our subcontractors. For our quality control measures over our subcontractors, please refer to the paragraph headed “Suppliers – Subcontractors – Control over subcontractors” in this section. Our customers also conduct their own quality checks from time to time prior to making payment to us.

Quality control on construction materials and machinery

We closely monitor the quality of purchased materials and machinery. To ensure the quality of supplies, prior to ordering, our procurement staff will ensure that the materials are sourced from our approved suppliers to ensure overall quality of supplies. Upon arrival of the ordered materials, all materials are sent directly to the relevant work sites for inspection by our site agents before utilisation. During the inspection, we will check (i) whether the quantity is correct; (ii) whether there is any observable defects; and (iii) for machinery purchased or leased by us, whether it functions normally. In addition, for certain projects, our Group is also required to engage independent professionals or professionals appointed by our customers to perform inspection and quality tests on the construction materials. Any defective materials or materials that fall short of the product specifications would be returned to the suppliers for replacement. Our customers would also inspect the materials used by us at work sites and verify the specifications from time to time.

OCCUPATIONAL HEALTH AND SAFETY

We place emphasis on occupational health and work safety during the delivery of our services as it is our concern not to put our employees, the subcontractors and the general public in hazards. We have adopted an occupational health and safety system as required by relevant occupational health and safety laws, rules and regulations and managed by our safety officer and safety supervisors under the supervision of Ms. Tse, our executive Director, whose background and industry experience are set out in the section headed “Directors and Senior Management” in this prospectus. Our Directors consider that Ms. Tse is competent to oversee the Group’s safety issues despite our historical non-compliance as disclosed in the paragraph headed “Non-compliance” of this section, having taken into account that: (i) the accident rate per 1,000 workers of our Group were lower than the average rates among the construction industry in Hong Kong in 2015 and 2016 and we achieved zero fatality rate during the same periods; (ii) Ms. Tse completed an operational risk management course and obtained a master of science degree in insurance and risk management with merit at Cass Business School, The City University of London, and she will attend trainings relating to matters such as the latest compliance and regulatory requirement development on the Companies Ordinance, the GEM Listing Rules and other laws, rules and regulations relevant to our Group and our Group’s safety issues; (iii) our contract manager, safety officer and safety supervisors will closely monitor our Group’s safety issues and report to Ms. Tse from time to time. Our Directors believe that they can assist Ms. Tse to monitor the safety and compliance matters of our Group. In view of the above, our Directors believe, and the Sponsor concurs, that Ms. Tse is competent to oversee the Group’s safety issues in light of non-compliance.

BUSINESS

Our occupational health and safety management system is certified to be in compliance with the standard required under OHSAS 18001:2007 in March 2017. The current certificate will expire in March 2020. The accreditation body, an independent third party, conducts an external audit to assess whether the relevant management system is in conformity with the standards in place every three years. Such surveillance visit is normally conducted on a yearly basis before the expiry of the relevant certificate. Upon satisfaction on the relevant management system, a renewal certificate will be issued.

Occupational health and work safety measures

Our safety department (the “**Safety Department**”) is supervised by Ms. Tse, our executive Director, whose qualifications and experience is set out in the section headed “Directors and Senior Management” in this prospectus. Our Safety Department is responsible for preparing safety plans, managing our occupational health and safety management system to ensure smooth implementation of our safety procedures and risk control measures.

We have established a safety committee at corporate level. Safety committee meeting is held on a monthly basis with our executive Directors for the purpose of setting strategic guidelines for implementation of our occupational health and safety measures relating to our operation and monitor the effectiveness of our safety management measures. In addition, site safety committee, which consists of our project team, representatives of our customers and the project owners and representatives of subcontractors (if any), is also established on project basis to implement on-site safety measures including regular safety inspections to maintain safe working environment, review of safety plan and update of risk assessment for the works, review of safety incidents and follow-up of any unsafe practices. As such, we keep our customers informed of the safety issues identified through safety meetings.

Set out below is a summary of our work safety measures:

- As required by our main contractors, a mandatory safety training course must be taken by every construction site worker who is required to obtain a valid certificate (also known as “green card”) before he is allowed to enter a construction site. We also organise or arrange site safety induction briefing sessions for workers on the first day of work and provide tool box trainings once a month for the workers on site, including subcontractors’ employees. Topics of our safety training typically cover safety procedures for performing different types of work (e.g. working at height), safety procedures for emergency and duties and procedures for reporting hazards, incidents, accidents and diseases, and good housekeeping of workplaces.
- Effective promotion and communication of safety procedures are maintained through, among others, establishing safety bulletin and detailed record of accident statistics, holding regular internal and external safety meetings, documenting safety measures and issues identified for each project by preparing safety reports and training records.

BUSINESS

- All workers on site, including subcontractors' employees, are required to follow the general safety rules adopted by our Group and our main contractors which are communicated to the workers before they commence work and posted on prominent notice boards on site. Workers who breach any such rules will be subject to internal disciplinary actions.
- Risk assessments are generally conducted by our safety officer to identify the potential hazards and accidents and provide suggestion on proper preventive measures prior to commencement of works.
- Site inspections are carried out at least once a week by our safety supervisors to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations.

For the two years ended 31 March 2017, penalties in the amount of HK\$371,000 and HK\$567,000 were charged to our Group by our customers, respectively, due to our subcontractors' failure to follow the safety guidelines issued by our customers, failure to use personal protective equipment, occasional absence from site inspections, site meetings and safety training provided by customers, smoking on site and failure to follow customers' housekeeping standard, during works execution. Although we are entitled to recover such penalty from the relevant subcontractors pursuant to the indemnity clause of the subcontracting agreement, our Directors consider that it may not be appropriate to seek indemnity from these subcontractors in order to maintain a long-term relationship with them. We therefore have endeavoured to enhance our subcontractors' safety awareness to avoid or minimise the possibility or recurrence of similar incidents in the future by providing safety training to all subcontractors on a regular basis.

Furthermore, we engaged the Safety Consultant and the Safety Auditor registered with the Labour Department to conduct an independent safety audit and/or review safety compliance of our Group in order to assist our Group to improve our overall safety performance. The Safety Consultant and the Safety Auditor team includes, respectively, a chartered member of the Institution of Occupation Safety and Health of the United Kingdom ("IOSH"), who is a safety officer registered under the Labour Department in Hong Kong, and the Safety Auditor, who is a safety auditor registered under the Labour Department in Hong Kong.

The Safety Consultant and the Safety Auditor conducted a review on our occupational health and safety policy with a view to assisting our Group to (i) comply with the statutory obligations, (ii) improve employees' occupational health and safety, (iii) enhance hazard identification and risk control capabilities, and (iv) encourage the identification, sharing and implementation of best practices.

After its review of our Group's existing safety management system, the Safety Consultant and Safety Auditor are of the view that there is no material deficiency in our safety management system and concluded that our Group has adequate and effective safety control system in compliance with relevant laws and regulations.

BUSINESS

Furthermore, the Safety Consultant and the Safety Auditor assisted our Group to complete the certification audit of OHSAS18001:2007 in March 2017 which helped our Group to (i) identify and control health and safety risks, (ii) reduce the potential risks for accidents, (iii) aid legal compliance, and (iv) improve overall safety performance.

System of recording and handling accidents and our safety compliance record

If an accident occurs, the injured worker (including our employees and our subcontractors' employees) or the person who witnessed the accident is required to report to our site staff or safety officer. Our safety officer will then investigate the accident by taking photos in respect of the accident scene, examine the equipment or material involved (if any) and take statements from the injured worker, witness(es) of the accident (if any) and other personnel in relation to the particular project. If the accident is a "reportable accident" as assessed by our safety officer, he will prepare an accident report and submit it to our customer and the Labour Department (if required) within the period as specified under the relevant laws and regulations. "Reportable accidents" means workplace accidents that are required to be reported to the Labour Department. For any accident that results in total or partial incapacity of an employee, the accident should be reported in writing within 14 days after the date of accident. For accidents that involve death or fatal injury to an employee, the accident has to be notified to the Labour Department within seven days after the accident. In the event of dangerous occurrence (as defined in the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)) or fatal accident in Hong Kong, we will notify the Labour Department and submit the Labour Department's standard "Dangerous Occurrence Report Form" within 24 hours. Our safety officer and supervisors will also complete the investigation on the accident/incident within the same timeframe.

The accident investigation report should be submitted to the Safety Department and displayed on site notice board. The investigation findings and recommendations will form part of information of toolbox trainings to prevent reoccurrence of similar accidents in the future.

The tables below set out the breakdown of the number of personal injury accidents by year and the nature of the 33 personal injury accidents occurred during the Track Record Period and up to the Latest Practicable Date:

	Number of Accidents
Before the Track Record Period	6 ^(Note 1)
For the year ended 31 March 2016	10
For the year ended 31 March 2017	10
For the period from 1 April 2017 to the Latest Practicable Date	13
	<u>33</u>
Total:	<u>39</u>

BUSINESS

Nature of accident	Number of Accidents
Injured whilst lifting or carrying	7
Slipped, trip or fall on same level	8
Fell from height	6
Striking against objects	3
Struck by moving or falling objects	5
Other <i>(Note 2)</i>	4
Total:	<u><u>33</u></u> <i>(Note 3)</i>

Note 1: Accidents which happened before the Track Record Period with either on-going claim or potential claim are included in the table. Among these 6 accidents which happened before the Track Record Period, one accident which employees' compensation claim has been settled but gave rise to an on-going personal injury claim during the Track Record Period and 5 accidents which the time limit for filing the employees' compensation claim has passed but the time limit for filing the personal injury claim has not yet passed during the Track Record Period and up to the Latest Practicable Date.

Note 2: There are two "other" accidents occurred which involved leg laceration and cut, one "other" accident occurred which involved trunk contusion and bruise and one "other" accident occurred which involved low back sprain. All of the "other" accidents are not work-related injuries as declared by the injured and confirmed by the Labour Department.

Note 3: This number excludes the 6 cases that happened before the Track Record Period, the total number of personal injury accidents is 39.

BUSINESS

We adopt the following safety measures to prevent the occurrence of similar accidents:

Nature of accident	Circumstances leading to occurrence of the accident	Nature of Injury	Number of Accidents per nature of injury	Safety control measures implemented	Additional safety control measures/requirements to be implemented
Injury caused in connection with lifting or carrying	Fail to follow group procedures	Hand Wrist fracture	1	We require our workers to strictly follow our relevant safety guidelines while lifting and carrying heavy objects. They are also required to make use of all necessary equipment to complete their works.	To improve our safety control, we have further enhanced our internal safety trainings as well as our supervision on the implementation of our internal safety guidelines by our direct employees and subcontractors by the end of May 2017. We have increased our inspection frequency from bi-weekly to once a week to enhance the safety monitoring on the site in all sites where our direct employees and subcontractors are working at starting from mid of April 2017. Furthermore, we have appointed two additional safety supervisors in June 2017. The inspection focuses on checking whether our direct employees and subcontractors have implemented our safety guidelines, such as whether they have worn adequate safety equipment including safety footwear, gloves, goggles and safety harness and whether guardrail have been put up around the working platforms. Our safety officer are of the view that such safety measures are adequate and effective in mitigating the risks of recurrence of similar accidents and injuries to workers on our Group's sites in the future.
		Foot fracture	1		
		Low back Sprain	1		
	Not pay attention to site environment	Rib fracture	1		
		Finger contusion	1		
	Misuse/Careless to use the tools	Hand fracture	1		
		Wrist contusion	1		
Sub-total		7			
Injury caused in connection with slipping, tripping or falling on same level	Not pay attention to site environment	Back contusion & bruise	1	We require our workers to put all objects and materials orderly at specified locations to secure the tidiness of the work site. The workers are required to wear safety footwear and be aware of slippery floors.	
		Back abrasion	1		
		Chest & ribs fracture	2		
		Left ankle fracture	1		
		Metatarsal fracture	1		
		Wrist fracture	1		
		Back sprain	1		
	Misuse/Careless to use the tools	Hand fracture	1		
		Rib fracture	1		
		Leg fracture	1		
Sub-total		11			
Injury caused in connection with falling from height	Not pay attention to site environment	Hand fracture	1	We have established a work safety management system in our operations in accordance with OHSAS 18001 international standards. We require our workers to strictly follow our relevant safety guidelines while working at height. In addition, under our internal safety guidelines, ladders and working platforms for working at height must be securely anchored to a safe place and being inspected by a competent person before commencement of any works. Depending on the height of works, each worker is strictly required to wear safety harness which is secured to an independent life line.	
		Wrist fracture	1		
		Left elbow radial head fracture	1		
		Low back sprain	1		
		Knee contusion	1		
	Misuse/Careless to use the tools	Hand Pisiform fracture	1		
		Foot fracture	1		
Incurred by third party	Upper arm fracture	1			
Sub-total		8			
Injury caused in connection with striking against objects	Not pay attention to site environment	Rib Contusion	1	Our internal guidelines also specify that our staff are required to wear safety helmets, gloves and reflective clothing upon entering the site.	
		Finger fracture	1		
		Leg laceration and cut	1		
		Sub-total	3		
Injury caused in connection with being struck by moving or falling objects	Not pay attention to site environment	Foot fracture	1	We would provide proper trainings to machine operators and our internal guidelines specify that they should be aware of the people entering the vicinity of the machine they are operating, and our staff are required to wear safety helmets, gloves and reflective clothing upon entering the site.	
		Metatarsal fracture	1		
	Misuse/Careless to use the tools	Thumb fracture	1		
		Incurred by third party	Head & Face Contusion		1
			Head & back contusion		1
		Eye abrasion	1		
Sub-total		6			

BUSINESS

Nature of accident	Circumstances leading to occurrence of the accident	Nature of Injury	Number of Accidents per nature of injury	Safety control measures implemented	Additional safety control measures/requirements to be implemented
Not work-related injury		Leg laceration & cut	2	Not applicable	
		Trunk contusion & bruise	1		
		Low back sprain	1		
		Sub-Total	4		
		Total	39		

Note: There were totally 39 accidents, among which, 6 accidents happened before the Track Record Period.

The following table sets out a comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the construction industry in Hong Kong between our Group and the industry average during the periods indicated:

	Construction Industry in Hong Kong <i>(Note 1)</i>	Our Group <i>(Note 2)</i>
From 1 January to 31 December 2015		
Industrial accident rate per 1,000 workers in construction industry	39.1	24.96
Industrial fatality rate per 1,000 workers in construction industry	0.2	Nil
From 1 January to 31 December 2016		
Industrial accident rate per 1,000 workers in construction industry	34.5	8.69
Industrial fatality rate per 1,000 workers in construction industry	0.093	Nil

Notes:

1. The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No. 17 (August 2017) published by Occupational Safety and Health Branch of the Labour Department of the Government.
2. Our Group's accident rate and fatality rate is calculated by dividing the number of reportable accidents and accidents involving fatal injuries (as the case may be) during the calendar year or relevant period by the number of site workers as at the end of the calendar year (i.e. 301 in 2015 and 302 in 2016) and multiplying by 1,000. The number of site workers includes employees of our Group and our subcontractors.

Save as disclosed above and to best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant incidents or accidents in relation to workers' safety and we also have not suffered from any removal, suspension, downgrading or demotion of our licences or permits due to accidents or breaches of workplace safety regulations.

BUSINESS

ENVIRONMENTAL PROTECTION

Our Group's operations on sites are subject to certain environmental requirements pursuant to the laws in Hong Kong such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance. For details of the regulatory requirements, please refer to the section headed "Regulatory Overview" in this prospectus. We endeavour to minimise any adverse impact on the environment resulting from our business activities. In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2015 in March 2017. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal.

For the two years ended 31 March 2017, we did not incur any significant expenses for compliance with our environmental obligations and do not expect to incur any significant expenses in this respect going forward. During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against us.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, our Directors believe that we were well covered under the following insurance policies against the risks and liabilities to which we may be exposed in the course of our business operation:

(i) Contractors' all risk insurance

During the Track Record Period, as a subcontractor, our Group's customers or the main contractors are responsible for purchasing the contractors' all risk insurance policies covering the liabilities of our Group and that of our subcontractors arising out of the performance of the subcontracted works. Such insurance policies generally extend throughout the entire period of a contract, including the defects liability period following completion of the project.

(ii) Employees' compensation insurance

We maintain insurance cover for our liabilities under employees' compensation and personal injury claims which meets the statutory minimum insurance coverage of HK\$200 million on a per incident basis. We consider such insurance coverage being generally sufficient for our liabilities under employees' compensation claims and personal injuries actions.

BUSINESS

(iii) Other insurance coverage

Our Group has maintained other insurance coverage against, among others, (a) third party liability in relation to the use of our vehicles for an amount of up to HK\$100 million per event; (b) liability for third party bodily injury occurred in our office premises for an amount of up to HK\$10 million per event and (c) insurance for our forklifts.

Uninsured risks

Certain risks disclosed in the section headed “Risk Factors” in this prospectus, such as risk in relation to our ability to secure new contractors, potential claims arising from latent defects liability, estimation and management of costs, subcontractors’ performance, liquidity risk, etc., are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. In particular, although our insurance policy does not cover any losses and claims caused by substandard performance of our subcontractors, we can either deduct the retention monies payable to such subcontractor or claim against such subcontractor for losses attributable to their substandard performance pursuant to the indemnity clause of the subcontracting agreement. Our Directors consider that the risk of losses or claims caused by substandard performance of works of or delay caused by the subcontractors is low. Please refer to the paragraph headed “Internal control and risk management” of this section below for further details regarding how our Group manages certain uninsured risk.

Our Directors believe that our current insurance policies are adequate and the extent of the above insurance policies is consistent with industry norm having regard to our current operations and the prevailing industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been the subject of any material insurance claim.

BUSINESS

EMPLOYEES

As at 31 March 2016 and 2017 and the Latest Practicable Date, we had 34, 39 and 40 employees who were directly employed by our Group in Hong Kong respectively. The following table sets out a breakdown of the number of our employees by functions:

	As at 31 March		As at the Latest Practicable Date
	2016	2017	
Directors and general management	3	3	3
Quantity surveying	7	6	7
Operation	15	13	13
Accounting and finance	2	3	3
Administration and human resources	1	2	2
Procurement	1	2	2
Quality, safety and environment	<u>5</u>	<u>10</u>	<u>10</u>
Total:	<u>34</u>	<u>39</u>	<u>40</u>

Relationship with our staff

Our Directors consider that we have maintained good relationship with our employees. We have not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes, save as disclosed in the paragraph headed “Litigation and Potential Claims” in this section. In addition, we have not experienced any difficulties in recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

Recruitment policy and training

We generally recruit our employees through placing advertisements in the open market with reference to factors such as their experience, qualifications and expertise required for our business operations. They are normally subject to three-month probation period starting on board. We endeavour to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

We provide or arrange various types of trainings to our employees, including those on occupational health and safety in relation to our work. Such training courses include our internal training as well as courses organized by external parties such as the Construction Industry Council and the Occupational Safety and Health Council.

BUSINESS

Remuneration policy

The remuneration package our Group offered to our employees includes salary, bonuses and other cash subsidies. In general, our Group determines employee salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions.

Our Group operates MPF scheme for all qualified employees in Hong Kong. During the two years ended 31 March 2017, the total expenses recognised in the combined statements of comprehensive income amounted to approximately HK\$0.4 million and HK\$0.6 million, respectively, which represents contributions payable to the scheme by our Group at rates specified in the rules of the MPF scheme.

Requirements under the Immigration Ordinance

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site and (ii) prevent illegal workers who are not lawfully employable from taking employment on site. For further information, please refer to the section headed "Regulatory Overview – A. Laws and Regulations in relation to Construction Labour, Health and Safety – Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)" in this prospectus.

Our Directors confirm that we have not been involved in any employment of illegal workers (whether directly or indirectly via subcontracting to the best of our Director's knowledge, information and belief) in the past in respect of work sites over which we had or have control or of which we are or were in charge. We have not been subject to any prosecution of any offences under the Immigration Ordinance in relation to the aforesaid requirements in the past. We have implemented the following measures to prevent having illegal immigrants from being on site and to prevent illegal workers from taking employment on site:

- Our administrative and human resources manager shall supervise the administration department to inspect and take copy of the original of workers' Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong.
- Our site agents are responsible for inspecting the personal identification document of each worker, including the employee of subcontractor, and shall refuse any person who does not possess proper personal identification document from entering the site.

RESEARCH AND DEVELOPMENT

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

COMPETITIVE LANDSCAPE

According to the Frost & Sullivan Report, the wet trades industry in Hong Kong is highly competitive and fragmented with over 500 contractors registered under the category of “finishing wet trades” and “marbles, granite and stone work” in the Subcontractors Registration Scheme of the Construction Industry Council. In 2016, the Hong Kong wet trades market was dominated by main contractors which are the leading players, and the top five market players accounted for 33.2% of the total market share in terms of total industry revenue in 2016. Our Group held 3.0% of the market share in the Hong Kong wet trades market in 2016. The total revenue generated from wet trades market in Hong Kong accounted for approximately 2.5% of the revenue generated from overall construction industry in Hong Kong in 2016.

Our Directors consider that track records in wet trades works, reputation, quality of works, and execution capacities are the determinants of competitiveness of a wet trades works services provider in Hong Kong. Barriers of entry to the wet trades industry include track record, relationship with main contractors, ability to demonstrate service capabilities and reliability, quality of management team and capital sufficiency. For details, please refer to the section headed “Industry Overview – Overview of Hong Kong Wet Trades Industry – Entry barriers” in this prospectus.

Our Directors believe that there will be more opportunities for wet trades industry due to the expected increase in construction of buildings, the Government’s support to increase land and housing supply, the Government policy on urban renewal and urbanisation in the northeastern part of New Territories which are expected to boost the demand for building services including wet trades works in Hong Kong. With our own proven track record, experienced project management team, quality of work, specialist knowledge in the wet trades industry and stable relationship with our key customers, suppliers and subcontractors, details of which are set out in the paragraph headed “Competitive strengths” in this section, our Directors believe that our Group is well-positioned to capture more business opportunities from the wet trades industry in Hong Kong.

Please refer to the section headed “Industry Overview – Competitive Landscape of Hong Kong Wet Trades Industry” in this prospectus for further details of the competitive landscape of the wet trades industry in Hong Kong.

BUSINESS

PROPERTIES

The following table summarises the information regarding our leased properties which were material to our operation during the Track Record Period and up to the Latest Practicable Date:

Address	Landlord	Approximate gross floor area (sq. ft.)	Use of the property	Key terms of the tenancy
Unit 809, 8/F, Tower II, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon, Hong Kong	An independent third party	2,225	Office use	Monthly rent of HK\$46,725 (exclusive of rates, government rent, management fee and other outgoings) for a term commencing from 1 December 2016 to 30 November 2018 (both days inclusive).
Workshop Unit 3, 13/F, Block B, Hang Wai Industrial Centre, No. 6 Kin Tai Street, Tuen Mun, Hong Kong	An independent third party	1,401	Storage use	Monthly rent of HK\$10,000 (exclusive of rates, government rent, management fee and other outgoings) for a term commencing from 15 March 2017 to 14 March 2019 (both days inclusive).

Save as disclosed above, our Group did not have any other property interests as at the Latest Practicable Date.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group had registered “nobleengineering.com.hk” as our domain name. Please refer to the paragraph headed “8. Intellectual property rights of our Group” in Appendix IV to this prospectus for further details of our intellectual property rights.

As at the Latest Practicable Date, (i) we were not aware of any dispute or infringements by our Group of any intellectual property rights owned by third parties, and (ii) we were not aware of any dispute or pending or threatened claims against our Group in relation to material infringement of any intellectual property rights of third parties.

BUSINESS

LICENCES AND PERMITS

As advised by our Legal Counsel, (i) except for the business registration under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), there are no licenses, permits or approvals required to be obtained for our Group to carry on our business as a subcontractor of wet trades projects; and (ii) our Group is not required to be registered as a general building contractor and/or specialist contractor as long as we work with main contractors who are so registered.

Subcontractors Registration Scheme

For main contractors of major public sector projects and leading main contractors, subcontractors are required to be registered in the Subcontractors Registration Scheme of the Construction Industry Council. In view of this, we have first completed such registration since 4 March 2004. The following table summarises the details of such registration held by Eric Tse Cement Works as at the Latest Practicable Date:

Type of registration	Granted by	Granted to	Trades Code	Specialties	Date of upcoming expiry date
Registered Subcontractor	Construction Industry Council	Eric Tse Cement Works	Finishing Wet Trades	Brick/block work, plastering and tiling, spray plaster and screeding	1 March 2018
			Marble, Granite and Stone Work	Marble/granite work	1 March 2018

The Subcontractors Registration Scheme was introduced by the Construction Industry Council in order to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics. The registration and the renewal of registration for the Subcontractors Registration Scheme are subject to the satisfaction of certain entry requirements which primarily concern the applicant's experience and/or qualification in the relevant works. For further details in relation to the Subcontractors Registration Scheme, please refer to the section headed "Regulatory Overview – C. Laws and Regulations in relation to Contractor Licensing – Subcontractors Registration Scheme" in this prospectus.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all requirements for the registration and the renewal of registration for the Subcontractors Registration Scheme. Our Directors confirmed that our Group had not experienced any material difficulties in obtaining and/or renewing the

BUSINESS

aforesaid registration and they were not aware of any circumstances that would significantly hinder or delay the renewal of the registration. Our Directors do not foresee any material impediment in the renewal of the aforesaid registration by us.

Our Group has obtained valid business registration certificate at all times. To the best of our Directors' knowledge, information and belief having made reasonable enquiry, our customers as main contractors have obtained all material licences, permits and approvals required for carrying on the wet trades projects undertaken by us during the Track Record Period and up to the Latest Practicable Date.

In order to ensure the ongoing compliance with the applicable requirements, laws and regulations concerning the licensing requirements, our administration department shall be responsible for:

- (i) identifying and reviewing any approvals, permits, licences and certificates (if required) for our Group's operations and to ensure compliance with relevant laws and regulations periodically;
- (ii) checking relevant requirements and making necessary submission (if required) to upkeep our Group's licensing status;
- (iii) identifying any information which shall be provided for application/submission such as company profile, job experience, resources, financial information, management systems and certificates, technical proposal, schedule, customer satisfaction etc.;
- (iv) keeping the update of the above information to our customers when necessary;
- (v) identifying the new requirements, operation and control procedures under statutory and regulations applicable to our operations; and
- (vi) briefing our relevant staff for the news, update, revised requirements for ensuring that our relevant staff obtains update of the industry-specific requirements.

BUSINESS

AWARDS AND RECOGNITIONS

We have received a number of awards and certificates during our operating history in recognition of our commitment and dedication to safety and environmental compliance. The following table summarises the awards and certificates obtained by our Group:

Certifications for compliance with ISO/OHSAS requirements

Nature	Certification <i>(Note)</i>	Awarding organization or authority	Holder	Validity period
Environmental Management System	ISO 14001:2015	Fugro Certification Services Limited	Eric Tse Cement Works	22 March 2017 – 15 March 2020
Quality Management System	ISO 9001:2015	Fugro Certification Services Limited	Eric Tse Cement Works	22 March 2017 – 15 March 2020
Occupational Health and Safety Management System	OHSAS 18001:2007	Fugro Certification Services Limited	Eric Tse Cement Works	22 March 2017 – 15 March 2020

Note: The scope covers the provision of builders work in plastering, paving, tiling, block work/bricklaying, spray plaster, screeding and marble/granite work.

The validity of the above certifications is subject to the continuing satisfactory operation of the relevant holder's management system and surveillance audits. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of these certifications.

Awards in recognition of our Group's quality, safety and environmental compliance

Date	Award or recognition
January 2016	Zero Accident Award 2015 by a main contractor in relation to a residential development project in Yuen Long
March 2015	2015 Certificate of Qualify Subcontractor (2015品質檢定認證書) by Hong Kong Professional Building Inspection Academy for our excellence and specialisation in wet trades
April 2009	Site Safety Model Worker Awards by a main contractor in relation to the development at Tseung Kwan O Public Square

BUSINESS

February 2007	Certificate of Recognition as a Well Performed Wet Trades Subcontractor (良好表現承判商(坭水)嘉許狀) by a main contractor in relation to a residential development project in Tai Po
February 2002	Award of Quality Field Practices of Tiles Laying (地台瓦鋪砌及牆身瓦鋪砌優質工序) by Hong Kong Housing Society
September 2001	Award of Quality Field Practices of Brick Laying (砌磚優質工序) by Hong Kong Housing Society

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group was involved in a number of claims and litigations. Set out below is a summary of the major outstanding litigations and potential claims involving our Group as at the Latest Practicable Date arising in the ordinary and usual course of our business.

(I) Outstanding employee's compensation claims and personal injury claims as at the Latest Practicable Date

As at the Latest Practicable Date, there were three outstanding employees' compensation and personal injury claims under common law. Details of the outstanding employees' compensation and personal injury claims under common law are as follows:

- (1) On 22 February 2014, a fatal accident (the "**Accident**") occurred at a project site where Eric Tse Cement Works ("**ETCW**") was engaged as a sub-contractor for plaster work by the main contractor of the site (the "**Main Contractor**"). In the Accident, an employee of ETCW's subcontractor (the "**Deceased**") was hit by a falling boom detached from a lorry-mounted mobile crane which was operated by another sub-contractor or service provider of the Main Contractor. The Worker sustained serious injury resulting in his death on the same day. Our Directors believe (i) the Accident was not within our Group's reasonable foreseeability of the hazards; (ii) the Accident did not involve in any negligence on the part of our Group; and (iii) at the time of the Accident, the Group had sufficient safety measures in place and the management was not aware of any material safety deficiency on the part of our Group. The Labour Department had laid charges under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) and its sub-legislations against the Main Contractor and other responsible parties. Our Group was not one of the defendants of the prosecution cases. Our Directors confirm that as at the Latest Practicable Date, our Group had not been prosecuted and had not received any suspension or improvement notices by any Government and regulatory authorities (including the Labour Department and the Construction Industry Council) for non-compliance of any laws and regulations as a result of the said incident. The legal proceeding is taken over by the solicitors appointed by the Main Contractor's insurer and the

BUSINESS

amount of claim is approximately HK\$1.6 million. The employees' compensation insurance taken out by the Main Contractor in this project shall cover the liability of our Group, if any, in relation to this fatal accident;

- (2) an accident occurred on 2 November 2015 involving a worker of our subcontractor in a construction site of a main contractor of our Group whereby the worker was struck by some moving/falling objects and sustained metatarsal fracture. The legal proceeding is taken over by the solicitors appointed by the main contractor's insurer and the amount of claim is approximately HK\$0.9 million. The employees' compensation insurance taken out by the main contractor in this project shall cover the liability of our Group, if any, in relation to this accident; and
- (3) an accident occurred on 2 July 2016 involving a worker of our subcontractor in a construction site of a main contractor of our Group whereby the worker injured his low back sprain whilst lifting or carrying objects. The legal proceeding is taken over by the main contractor's insurer and the amount of claim is to be assessed by the court. The employees' compensation insurance taken out by the main contractor in this project shall cover the liability of our Group, if any, in relation to this accident.

Our Directors are of the view that occurrence of personal injuries is not uncommon in the construction industry. After obtaining legal advice from our Legal Counsel, our Directors confirm that all such claims (including employees' compensation claims and personal injury claims) are well covered by insurance and/or indemnified by our Controlling Shareholders and would not result in any material impact on the financial position or results of operations of our Group. Details of our Controlling Shareholders' indemnity are set out in the paragraph headed "13. Tax and other indemnities" in Appendix IV to this prospectus.

(II) Potential employees' compensation claims and personal injuries claims as at the Latest Practicable Date

As at the Latest Practicable Date, our Group recorded three employees' compensation and personal injury claims and one personal injury accident which the relevant employees' compensation and personal injury claims had been settled. Furthermore, our Group recorded 35 personal injury accidents which time limit for filing a claim pursuant to the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) or a personal injury claim under common law had not yet passed. Out of these 35 accidents, 30 of them happened during the Track Record Period and up to the Latest Practicable Date^(Note 1) and 5 of them happened before the Track Record Period. For further details of these accidents, please refer to the paragraph headed "Occupational Health and Safety" of this section. The current status of these 35 accidents are as follows:

BUSINESS

Status of the accidents	No. of the accidents
The relevant injured person has filed a claim pursuant to the Employees' Compensation Ordinance and the claims have been settled/concluded, but the time limit for filing the personal injury claims under common law have not yet passed	1
No further action will be taken by the Labour Department as the amount assessed by Form 5 <i>(Note 2)</i> has been paid to the relevant injured persons or amicable settlement had been reached or the claims had been withdrawn from the Labour Department	21
Form 2 and Form 2B <i>(Note 3)</i> of the relevant incidents has been filed with the Labour Department, but the settlements have not yet been reached or the cases have not yet been withdrawn from the Labour Department	13
Sub-total	<u>35</u>
The relevant injured persons have filed a claim pursuant to the Employees' Compensation Ordinance or the personal injury claims under common law and the claims are still ongoing	3
The relevant injured person has filed a claim pursuant to the Employees' Compensation Ordinance and the personal injury claim under common law. Both claims have been settled/concluded	1
Sub-total:	<u>4</u>
Total:	<u><u>39</u></u>

BUSINESS

Notes:

1. As at the Latest Practicable Date, we recorded 39 personal injury accidents, of which three accidents gave rise to three ongoing claims, one accident which both employees' compensation claim and personal injury claim have been settled, one accident which employees' compensation claim has been settled but the time limit for filing the personal injury claim has not yet passed, 16 accidents which may give rise to a personal injury claim and 18 accidents which may give rise to both employees' compensation claims and personal injury claims.
2. Form 5 refers to the Certificate of Compensation Assessment issued by the Commissioner of Labour stating the amount of compensation payable by the employer to the employee.
3. Form 2 refers to Notice by Employer of the Death of an Employee or of an Accident to an Employee Resulting in Death or Incapacity. Form 2B refers to Notice by Employer of an Accident to an Employee Resulting in Incapacity for a period not exceeding 3 days.

The injured persons in the above cases may commence their claims under the Employees' Compensation Ordinance and/or their personal injury claims under common law within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant accidents. Since no civil action has commenced, the claims, when filed, will be handled by solicitors appointed by the main contractors' insurers. We are not in a position to assess the likely quantum of such potential claims. As it is the obligations of the relevant main contractors in the project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the construction sites, our Directors confirmed that all the potential personal injury claims and potential employees' compensation claims will be covered by the insurance maintained by the relevant main contractors and/or indemnified by our Controlling Shareholders.

As at the Latest Practicable date, save as disclosed above, we are not aware of any current, pending or threatened litigation, claim of arbitration against our Group which could have a material adverse effect on our financial condition or results of operations.

BUSINESS

NON-COMPLIANCE

Set out below is a summary of our non-compliance incidents during the Track Record Period and up to Latest Practicable Date, which are in relation to safety management system. As at the Latest Practicable Date, our Group had not been prosecuted or had never received any notice of prosecution from the Labour Department for the non-compliance incidents disclosed below.

Details of the non-compliance incident	Date of the incident	Applicable laws and regulations	Maximum penalty/likely penalty of the non-compliance	Reasons for the non-compliance	Remedial/rectification actions taken
Eric Tse Cement Works ("ETCW") failed to appoint a registered safety auditor to conduct safety audit	1 April 2015 – 8 March 2017	Sections 13 and 34 of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) (the "Safety Management Regulation")	A maximum fine of HK\$200,000 and imprisonment for up to six months. As advised by our Legal Counsel, the non-compliances can be classified as technical breaches and the breach is not intentional but due to the wrongful understanding on the part of ETCW's safety supervisor of the legal requirements. Although safety audits had not been performed, safety review had been conducted after all. Since March 2017, safety audit had been performed and the safety audit report has been filed with the Labour Department in April 2017. The first breach of our Group occurred in April 2002. Under section 26 of the Magistrates Ordinance, the time limit for prosecution of a breach is six months from its occurrence. As at the Latest Practicable Date, all past breaches had been time-barred for prosecution.	The non-compliance was due to our safety supervisor's misinterpretation of the legal requirements under the Safety Management Regulation by (i) incorrectly excluding the workers of its sub-contractors in counting the number of workers in the relevant construction site(s), and (ii) falsely believing that the main contractor has performed its duty under the Safety Management Regulation, ETCW was only required to follow its system and did not need to perform its safety audit under the Safety Management Regulation.	ETCW has appointed the Safety Auditor to conduct a safety audit in compliance with the Safety Management Regulation in March 2017, and the audit report was filed with the Labour Department on 4 April 2017. To prevent recurrence of similar non-compliance in the future, a qualified safety officer has been hired in February 2017 by our Group to strengthen the controls and oversight over safety compliance. Further, the Safety Consultant with registered safety auditors is also engaged for providing timely and professional advice regarding safety compliance issues. Furthermore, since March 2017, we have adopted the standards under OHSAS 18001:2007 for the implementation of our health and safety management system to ensure smooth implementation of safety management system and due compliance of the relevant safety laws and regulations including the Safety Management Regulation.

BUSINESS

As confirmed by our Directors, as at the Latest Practicable Date, save as disclosed above, our Group has complied in all material respects with the applicable laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date and did not receive any notices for any fines or penalties for any non-compliance that is material and systemic.

Our Directors consider that the abovementioned non-compliance incident would not affect the suitability of listing of our Company under Rule 11.06 of the GEM Listing Rules having considered the fact that (i) our Group has engaged an independent internal control consultant to review and provide recommendation and have taken the internal control measures as stated above to avoid recurrence of the non-compliance incident; and (ii) the above non-compliance incident was neither intentional nor wilful, did not involve any fraudulent act or dishonesty on the part of our executive Directors and did not raise any question as to the integrity of our executive Directors.

The Sole Sponsor, after considering the above and having reviewed the internal control measures adopted by our Group, concurs with the view of our Directors that (i) the abovementioned non-compliance incident would not affect the suitability of listing of our Company under Rule 11.06 of the GEM Listing Rules; and (ii) the non-compliance incident would not give rise to the concerns on the ability of our executive Directors to oversee our Company's operation and the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules.

Furthermore, our Controlling Shareholders have entered into a Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the paragraph headed "13. Tax and other indemnities" in Appendix IV to this prospectus for details of the Deed of Indemnity.

Taking into account the above and the fact that any loss, fee, expense and penalty of our Group in relation to such non-compliance matters will be fully indemnified by our Controlling Shareholders, our Directors consider, and the Sole Sponsor concurs, that the impact of such non-compliance incident would be immaterial to our Group's operation and financial positions.

No provision was made in the financial statements of our Group in respect of the aforementioned non-compliance incident as our Directors have taken into consideration the following: (i) up to the Latest Practicable Date, our Directors were not aware of any prosecution instituted against us or any notices for any fine or penalties in relation to the said non-compliance incident; (ii) as advised by our Legal Counsel, the likelihood of our Group and our Directors being prosecuted as a result of the non-compliance incident is low; and (iii) our Controlling Shareholders shall indemnify our Group pursuant to the Deed of Indemnity.

INTERNAL CONTROL AND RISK MANAGEMENT

We endeavour to uphold the integrity of our business by maintaining an internal control and risk management system into our organisational structure. In preparation for the Listing and to further improve our internal control system, in November 2016, we engaged the IC Adviser to perform an evaluation of the adequacy and effectiveness of our Group's internal control system including the areas of financial, operation, compliance and risk management.

In April 2017, the IC Adviser completed the first review of our internal control system on, among others, our control environment, risk assessment, control activities, information and communication, monitoring activities, financial reporting and disclosure, human resources and payroll, cash management and treasury, sales and receipts cycle, project management and compliance procedures with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. In order to strengthen our internal control system, our Group has also adopted or will adopt the following key measures to mitigate the risks relating to our Group:

(i) Risk of potential inaccurate costs estimation and cost overrun

Please refer to the paragraph headed "Customers – Pricing Strategy" above in this section to address the risk of potential inaccurate estimation and cost overrun.

(ii) Risk relating to subcontractors' performance

Please refer to the paragraphs headed "Suppliers – Subcontractors – Basis of selection of subcontractors" and "Suppliers – Subcontractors – Control over subcontractors" above in this section.

(iii) Credit risk relating to the collection of trade receivables and retention receivables

Please refer to the paragraph headed "Customers – Credit management and collection of our trade receivables and retention monies receivables" above in this section.

(iv) Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. In addition, our Group relies on unsecured bank borrowings as a significant source of liquidity and the management monitors the utilisation of unsecured bank borrowings.

(v) Quality control

Please refer to the paragraph headed "Quality Control" above in this section.

BUSINESS

(vi) Occupational health and safety

Please refer to the paragraph headed “Occupational Health and Safety” above in this section.

(vii) Environmental management

Please refer to the paragraph headed “Environmental Protection” above in this section.

(viii) Corporate governance

We will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. We have established three board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed “Directors and Senior Management – Board Committees” in this prospectus.

To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed “Relationship with our Controlling Shareholders – Corporate Governance Measures to Safeguard the Interest of Shareholders” in this prospectus.

Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after Listing.

(ix) Risk relating to compliance with the GEM Listing Rules after Listing

Our Group has adopted the following measures to ensure continuous compliance with the GEM Listing Rules upon Listing:

- We shall establish system and manuals in relation to, among others, distribution of annual, interim and quarterly reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the GEM Listing Rules.
- Our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
- We have engaged Kingsway Capital as our compliance adviser and will, upon Listing, engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the GEM Listing Rules and/or other relevant laws and regulations applicable to our Company.

BUSINESS

- We have established an Audit Committee which comprises all independent non-executive Directors, namely Mr. Tang Chi Wai, Ms. Chung Lai Ling and Mr. Wong Yiu Kwong Kenji. The Audit Committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of the independent non-executive Directors, please refer to the section headed “Directors and Senior Management” in this prospectus.

We will engage the IC Adviser to conduct an annual review on the adequacy and effectiveness of our internal control system for the financial year ending 31 March 2018, including areas of financial, operational, compliance and risk management. When considered necessary and appropriate, we will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and legal compliance.

In May 2017, the IC Adviser performed a follow up review on our internal control system and we did not note any findings of material weakness or insufficiency in our Group’s internal control system.

On the basis of the above, our Directors confirm, and the Sole Sponsor concurs, that the internal control measures implemented by our Group are sufficient and could effectively ensure a proper internal control system of our Group and prevent any occurrence of non-compliance incident in the future.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Directors

The Board currently consists of six Directors comprising three executive Directors and three independent non-executive Directors. The following table sets out the information regarding the members of the Board:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Relationship among Directors	Roles and responsibilities
Executive Directors						
Mr. Tse Chun Yuen (謝振源)	68	Chairman and executive Director	9 October 1997	12 April 2017	Brother of Mr. Tse Chun Kuen and father of Ms. Tse Ming Hei	Overall strategic planning, business development, corporate management, sales and marketing and quality control of our Group and serving as Chairman of the Nomination Committee
Mr. Tse Chun Kuen (謝振乾)	65	Executive Director	9 October 1997	12 April 2017	Brother of Mr. Tse Chun Yuen	Formulating corporate and business strategies and making major operation decisions
Ms. Tse Ming Hei (謝鳴禧)	30	Chief executive officer and executive Director	1 May 2014	12 April 2017	Daughter of Mr. Tse Chun Yuen	Responsible for our Group's human resources, finance and administration, occupational health and safety, operation and serving as member of the Remuneration Committee
Independent non-executive Directors						
Mr. Wong Yiu Kwong Kenji (黃耀光)	36	Independent non-executive Director	11 September 2017	11 September 2017	N/A	Overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation, and serving as member of the Audit Committee and Nomination Committee

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Relationship among Directors	Roles and responsibilities
Ms. Chung Lai Ling (鍾麗玲)	55	Independent non-executive Director	11 September 2017	11 September 2017	N/A	Overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation, and serving as chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee
Mr. Tang Chi Wai (鄧智偉)	44	Independent non-executive Director	11 September 2017	11 September 2017	N/A	Overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation, and serving as chairman of the Audit Committee and member of the Remuneration Committee

Senior Management

Our senior management comprises the following persons:

Name	Age	Position	Date of joining our Group	Relationship among Directors	Roles and responsibilities
Mr. Tsoi Chi Hei (蔡志熙)	30	Financial controller and company secretary	9 January 2017	N/A	Financial management and reporting and company secretarial matters of our Group
Mr. Li Kwan Lung (李君龍)	41	Contract manager	27 August 2007	N/A	Quantity surveying of our Group's projects
Ms. Wong Ching (王靜)	34	Administrative and human resources manager	9 November 2016	N/A	Administration and human resources management of our Group

EXECUTIVE DIRECTORS

Mr. Tse Chun Yuen (謝振源), aged 68, is the chairman of the Board, an executive Director and one of our Controlling Shareholders. He was appointed as a Director on 12 April 2017 and redesignated as an executive Director and appointed as the chairman of the Board on 14 September 2017. Mr. Eric Tse is the co-founder of Eric Tse Cement Works and has been a director of that company since 9 October 1997. He is also the chairman of the

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee. Mr. Eric Tse is responsible for the overall strategic planning, business development, and corporate management, sales and marketing and quality control of our Group.

Mr. Eric Tse has over 35 years of experience in wet trades industry. Mr. Eric Tse obtained a plasterer trade certificate, tiler trade certificate and bricklayer trade certificate in 1996 from the Construction Industry Training Authority. Mr. Eric Tse's responsibilities in our Group include formulating and determining the corporate strategic objectives, monitoring the business operations, reviewing and approving significant contracts, appointment and evaluating senior management.

Prior to the incorporation of Eric Tse Cement Works and until the dissolution of the Partnership Business, Mr. Eric Tse also engaged in wet trades works subcontractor business through the Partnership Business. For further details of the Partnership Business, please refer to the section headed "History, Development and Reorganisation – The Partnership Business".

Mr. Eric Tse is the founding president of Hong Kong Construction Sub-Contractors Association Limited (香港建造業分包商聯會有限公司) and had acted as the president of the association until he retired in 2011. Mr. Eric Tse was named permanent honorary president of Hong Kong Construction Sub-Contractors Association Limited in 2011. Mr. Tse was a course instructor of bricklaying, plastering and tiling course organised by Construction Industry Training Authority from 1977 to 1978. Mr. Eric Tse has been the president of Association of Plastering Sub-Contractors Limited (泥水商協會有限公司) since 1997 and has been named as the founding president from 2015 to present.

As confirmed by Mr. Eric Tse, Global Resources Trading Company Limited ("Global Resources"), PCICB Registration Limited ("PCICB") and WW Environmental Products Limited ("WW Environmental") were companies incorporated in Hong Kong for investment purposes prior to their dissolution. WW Environmental was dissolved pursuant to section 291(6) of the Predecessor Companies Ordinance on 11 October 2002. PCICB was dissolved pursuant to section 291AA of the Predecessor Companies Ordinance on 31 December 2010, and Global Resources was dissolved pursuant to section 291AA(9) of the Predecessor Companies Ordinance on 29 September 2006. As confirmed by Mr. Eric Tse, to the best of his knowledge and belief, each of Global Resources PCICB, and WW Environmental were solvent at the time of their dissolution.

Mr. Eric Tse has confirmed that there is no fraudulent act or misfeasance on his part leading to the dissolution and struck-off of these three companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution and struck-off of such companies.

Notwithstanding the above, given that the dissolution and struck-off of the abovementioned companies did not involve any dishonesty or fraudulent act on the part of Mr. Eric Tse, and did not raise any questions as to the integrity of Mr. Eric Tse, our Directors are of the view, and the Sole Sponsor concurs, that Mr. Eric Tse is suitable to act as a Director under Rule 5.01 and 5.02 of the GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Eric Tse was an instructor class II of the Construction Industry Training Authority (建造業訓練局) from August 1977 to August 1978. He obtained the certificate in industrial trade instruction (工業導師訓練證書) from the Hong Kong Technical Teachers' College (香港工商師範學院) in July 1978. Mr. Eric Tse completed the plastering trade supervisory staff training course (泥水專業管理職級訓練課程) organised by the Construction Industry Training Authority (建造業訓練局) in October 2000. Mr. Eric Tse completed the safety supervisor (construction) course (安全督導員(建造業)課程) organised by the Occupational Safety and Health Management Institute on 14 August 2017 which provides training necessary as a competent safety supervisor on the implementation of safety measures on workplace and the corresponding legal requirements and code of practices and obtained the certificate of attainment.

Mr. Eric Tse did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

Mr. Tse Chun Kuen (謝振乾), aged 65, is an executive Director and one of our Controlling Shareholders. He was appointed as a Director on 12 April 2017 and redesignated as an executive Director of our Company on 14 September 2017. Mr. CK Tse is the co-founder of Eric Tse Cement Works and has been a director of that company since 9 October 1997. Mr. Tse is responsible for formulating corporate and business strategies and making major operation decisions of our Group.

Mr. CK Tse has over 34 years of experience in wet trades industry. Mr. CK Tse's responsibilities in our Group include formulating and determining corporate and business strategies and making major operation decisions, monitoring the business operations, reviewing and approving significant contracts and investment, appointment and appraisal of senior management.

Prior to the incorporation of Eric Tse Cement Works and until the dissolution of the Partnership Business, Mr. CK Tse also engaged in wet trades works subcontractor business through the Partnership Business. For further details of the Partnership Business, please refer to the section headed "History, Development and Reorganisation – The Partnership Business".

As confirmed by Mr. CK Tse, Global Resources was an investment company incorporated in Hong Kong prior to its dissolution. Due to cessation of business, Global Resources was dissolved pursuant to section 291AA(9) of the Predecessor Companies Ordinance on 29 September 2006. As confirmed by Mr. CK Tse, to the best of his knowledge and belief, Global Resources was solvent at the time of its dissolution.

Mr. CK Tse has confirmed that there is no fraudulent act or misfeasance on his part leading to the dissolution of the abovementioned company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of such company.

DIRECTORS AND SENIOR MANAGEMENT

Notwithstanding the above, given that the dissolution of the abovementioned company did not involve any dishonesty or fraudulent act on the part of Mr. CK Tse, and did not raise any questions as to the integrity of Mr. CK Tse, our Directors are of the view, and the Sole Sponsor concurs, that Mr. CK Tse is suitable to act as a Director under Rule 5.01 and 5.02 of the GEM Listing Rules.

Mr. CK Tse obtained the tiler trade certificate (鋪瓦工技能證書) granted by Construction Industry Training Authority (建造業訓練局) and Vocational Training Council Hong Kong (香港職業訓練局) in May 1999. Mr. CK Tse completed the safety supervisor (construction) course (安全督導員(建造業)課程) organised by the Occupational Safety and Health Management Institute on 14 August 2017 which provides training necessary as a competent safety supervisor on the implementation of safety measures on workplace and the corresponding legal requirements and code of practices and obtained the certificate of attainment.

Mr. CK Tse did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

Ms. Tse Ming Hei (謝鳴禧), aged 30, is the chief executive officer and an executive Director of our Company and the head of human resources, finance and administration, occupational health and safety and operation of our Group. She was appointed as a Director on 12 April 2017 and redesignated as an executive Director of our Company on 14 September 2017. Ms. Tse joined our Group as the head of human resources, finance and administration of Eric Tse Cement Works on 1 May 2014. She is also a member of the Remuneration Committee.

Prior to joining our Group, Ms. Tse was a management officer of Nova Insurance Consultants Limited, a wholly owned subsidiary of Nova Risk Services Holdings Limited from August 2011 to July 2013.

Ms. Tse graduated from University College London in the United Kingdom with a bachelor of science degree in economics in August 2009. She then obtained a master of science degree in insurance and risk management with merit at Cass Business School, The City University of London in September 2010. Ms. Tse completed the safety supervisor (construction) course (安全督導員(建造業)課程) organised by the Occupational Safety and Health Management Institute on 14 August 2017 which provides training necessary as a competent safety supervisor on the implementation of safety measures on workplace and the corresponding legal requirements and code of practices and obtained the certificate of attainment.

Ms. Tse did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Yiu Kwong Kenji (黃耀光), aged 36, was appointed as our independent non-executive Director on 11 September 2017. His appointment as a member of the Audit Committee and the Nomination Committee will take effect on the Listing Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong has extensive experience in business management and operation supervision. Mr. Wong has been employed by Champway Technology Ltd. since November 2005 for and became the operation director since January 2013. Mr. Wong was a technical manager in Champway Technology Ltd. from November 2005 to December 2012 where he was in charge of various projects. Mr. Wong oversaw the daily operation, quality control and research development of a biodiesel pilot plant from 2006 to 2008. Mr. Wong was in charge of designing an industrial scale biodiesel refinery plant from 2008 to 2010 and he was responsible for sourcing equipment, coordinating with contractors, vendors and consultants. Furthermore, in the period of 2010 to 2012, Mr. Wong was in charge of leading the production team in carrying out testing and commissioning of the biodiesel plant and the daily production operation after finishing the testing and commissioning and was responsible for maintaining the production related licenses. In his current position as the operation director, Mr. Wong is responsible for overseeing the daily operation, fleet supervision, local biodiesel promotion and liaison with government bodies and other external communications. Also, Mr. Wong is currently the sole director of Fai Yeung Trading Company Limited.

Mr. Wong graduated from The Chinese University of Hong Kong with a bachelor of science degree in May 2003 and was placed on the Dean's List for the academic year 2002/2003. He then obtained a master of philosophy degree in December 2005. Mr. Wong also obtained a Certificate of Competence in Safety Management of Dangerous Substances from the Occupational Safety & Health Council in March 2006.

Mr. Wong did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

Ms. Chung Lai Ling (鍾麗玲), aged 55, was appointed as our independent non-executive Director on 11 September 2017. Her appointment as the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee will take effect on the Listing Date.

Ms. Chung worked as an administration officer at Maunsell Consultants Asia Limited. (currently known as AECOM Asia Company Limited) from April 2001 to June 2006. Ms. Chung worked in Care & Health Limited a subsidiary of Hanison Construction Holdings Limited (Stock code: 896, the shares of which is listed on the main board of the Stock Exchange) for over 10 years from July 2006 to February 2017, with the last position as director of its Health Products Division.

Ms. Chung obtained a bachelor of arts degree from York University in Canada in June 1987.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chung did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

Mr. Tang Chi Wai (鄧智偉), aged 44, was appointed as our independent non-executive Director on 11 September 2017. His appointment as chairman of the Audit Committee and a member of the Remuneration Committee will take effect on the Listing Date.

Mr. Tang has over 20 years of experience in auditing and accounting. Mr. Tang has been serving as a financial controller, company secretary and authorised representative of Universal Technologies Holdings Limited (stock code: 1026, the shares of which is listed on the main board of the Stock Exchange) since June 2008. Mr. Tang has been responsible for financial and accounting functions as well as secretarial and compliance related matters of the aforesaid company. From November 2003 to November 2007, Mr. Tang was a finance manager at Valueplus Supply Chain Solution Limited, a company principally engaged in coordinating various logistics services and warehousing services. From December 1996 to April 2001, he was an auditor in Deloitte Touche Tohmatsu.

Mr. Tang has been an independent non-executive director of (1) CHERISH Holdings Limited (stock code: 2113, the shares of which is listed on the main board of the Stock Exchange) since September 2016 and (2) Xin Point Holdings Limited (stock code: 1571, the shares of which is listed on the main board of the Stock Exchange) since June 2017.

Mr. Tang graduated from The Hong Kong Polytechnic University with a bachelor of arts (honours) degree in accountancy in November 1996. He has been a practising Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since April 2001 and a Certified Internal Auditor of the Institute of Internal Auditors since November 2015. Mr. Tang has also been a holder of the Practitioner's Endorsement from The Hong Kong Institute of Chartered Secretaries since August 2015.

Over the years, Mr. Tang has also obtained various professional qualifications and memberships including the following:

Professional qualifications	Dates of admission
Member of Chinese Institute of Certified Public Accountants	September 2003
Fellow member of The Association of Chartered Certified Accountants	January 2005
Fellow member of The Hong Kong Institute of Certified Public Accountants	September 2009
Fellow member of The Taxation Institute of Hong Kong	July 2010
Fellow member of The Institute of Chartered Secretaries and Administrators	July 2015
Fellow member of The Hong Kong Institute of Chartered Secretaries	July 2015

DIRECTORS AND SENIOR MANAGEMENT

Professional qualifications

Dates of admission

Fellow member of The Hong Kong Institute of Directors

April 2015

Save as disclosed above, Mr. Tang has not been a director of any other listed companies in the last three years.

Disclosure of relationships as required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed in this prospectus, each of our Directors has confirmed that (i) there is no other matter concerning their respective appointments that needs to be brought to the attention of the Shareholders and the Stock Exchange; (ii) he/she has no interests in the Shares within the meaning of Part XV of the SFO; (iii) he/she is independent from, and is not related to, any other Directors, members of the senior management, Substantial Shareholders or Controlling Shareholders; (iv) he/she does not hold any other position in our Company or any of its subsidiaries; (v) he/she does not have any interest in any business which competes or may compete, directly or indirectly, with us; and (vi) there is no other matter which is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, none of our Directors has held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

SENIOR MANAGEMENT

Mr. Tsoi Chi Hei (蔡志熙), aged 30, is our Group's financial controller and is responsible for the overall financial management and reporting of our Group. He joined us on 9 January 2017 as the financial controller of Eric Tse Cement Works.

Mr. Tsoi has about 6 years of experience in auditing, accounting and financial management. Prior to joining our Group, Mr. Tsoi worked in Poon & Co. Certified Public Accountants from September 2010 to July 2012, his last position was an audit semi-senior. He then worked in Shinewing (HK) CPA Limited from July 2012 to December 2014, his last position was a senior accountant II. Later, he worked in KPMG China from December 2014 to January 2017, his last position was an audit manager.

Mr. Tsoi obtained a bachelor's degree of accountancy from The Hong Kong Polytechnic University in November 2010. He was admitted as a member of The Hong Kong Institute of Certified Public Accountants in March 2014.

Mr. Tsoi did not hold any directorship in any other listed companies during the three years immediately preceding the date of this prospectus.

Mr. Li Kwan Lung (李君龍), aged 41, is the head of quantity surveying of our Group. Mr. Li joined our Group in August 2007 as the head of quantity surveying of our Group of Eric Tse Cement Works. Mr. Li is responsible for quantity surveying of our Group's projects.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Mr. Li worked at China State Construction Engineering Corporation as surveying assistant from June 1994 to November 1995. He then worked at Yau Lee Construction Company Limited as assistant quantity surveyor from May 1997 to August 2007.

Mr. Li obtained a foundation certificate, certificate in building studies (building option) and higher certificate in building studies from the Vocational Training Council in 2002, 2004 and 2007 respectively. Mr. Li completed the safety supervisor (construction) course (安全督導員(建造業)課程) organised by the Occupational Safety and Health Management Institute on 14 August 2017 which provides training necessary as a competent safety supervisor on the implementation of safety measures on workplace and the corresponding legal requirements and code of practices and obtained the certificate of attainment.

Mr. Li did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

Ms. Wong Ching (王靜), aged 34, is the administrative and human resources manager of our Group. Ms. Wong joined our Group in November 2016 as the administrative and human resources supervisor of Eric Tse Cement Works. She has been promoted as the administrative and human resources manager of Eric Tse Cement Works on April 2017 and is responsible for administration and human resources of our Group.

Prior to joining our Group, Ms. Wong joined Pioneer (HK) Limited in August 2012 as an administrative assistant and promoted to the position of supervisor in general affairs division from April 2015 to September 2016.

Ms. Wong obtained a bachelor's degree in commerce from Takushoku University in Japan in 2010.

Ms. Wong did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Tsoi Chi Hei (蔡志熙), aged 30, is our Group's company secretary and is responsible for company secretarial matters of our Group. Please refer to the paragraph headed "Senior Management" above for his biography.

COMPLIANCE OFFICER

Ms. Tse Ming Hei (謝鳴禧), is the compliance officer of our Company. Please refer to the paragraph headed "Executive Directors" above for her biography.

CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and include our

DIRECTORS AND SENIOR MANAGEMENT

corporate governance report in our annual reports upon Listing. The terms of reference for performing the corporate governance functions in compliance with the Corporate Governance Code were approved by our Board for adoption on 14 September 2017.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 14 September 2017 with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C.3.3 of the Corporate Governance Code. The primary duties of our Audit Committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual report and accounts and our half-year report and significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems. Our Audit Committee comprises three independent non-executive Directors, namely Mr. Tang Chi Wai, Mr. Wong Yiu Kwong Kenji and Ms. Chung Lai Ling. Mr. Tang Chi Wai is the chairman of our audit committee.

Nomination Committee

Our Company established the Nomination Committee on 14 September 2017 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of our Nomination Committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors; and (d) making recommendations to our Board on the appointment and succession planning for our Directors. Our Nomination Committee comprises two independent non-executive Directors, namely Mr. Wong Yiu Kwong Kenji and Ms. Chung Lai Ling, and one executive Director, namely Mr. Eric Tse. Mr. Eric Tse is the chairman of our Nomination Committee.

Remuneration Committee

Our Company established the Remuneration Committee on 14 September 2017 with written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and paragraph B.1.2 of the Corporate Governance Code. The primary duties of our Remuneration Committee, under the principle that no Director or any of his associates should be involved in deciding his own remuneration include, among others, making recommendations to our Board on (a) our remuneration policy and structure for all of our Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments;

DIRECTORS AND SENIOR MANAGEMENT

and (d) the remuneration of our non-executive Directors. Our Remuneration Committee comprises two independent non-executive Directors, namely Ms. Chung Lai Ling and Mr. Tang Chi Wai and one executive Director, namely Ms. Tse. Ms. Chung Lai Ling is the chairman of our remuneration committee.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Kingsway Capital Limited as our compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of the Shares under Rule 17.11 of the GEM Listing Rules.

The term of 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 and such appointment shall be subject to extension by mutual agreement.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of fixed monthly salaries in accordance with their respective employment contracts with our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations.

The remuneration policies of our Group is and will be formulated by our Board on the recommendations of the remuneration committee of our Company (comprising two independent non-executive Directors and one executive Director). During the Track Record Period, the remuneration of our Directors and our senior management was determined with reference to their respective experience, responsibilities with our Group and general market conditions. Discretionary bonus (if any) is linked to the performance of our Group and of

DIRECTORS AND SENIOR MANAGEMENT

individual Director or senior management. Our Company intends to continue its remuneration policies after the Listing, subject to the review by and the recommendations of the remuneration committee of our Company.

For the years ended 31 March 2016 and 2017, the aggregate amount of remuneration paid or payable by our Group to our Directors was approximately HK\$1.4 million and approximately HK\$1.5 million, respectively.

For the years ended 31 March 2016 and 2017, the aggregate amount of remuneration paid or payable by our Group to our five highest paid individuals (excluding our Directors amongst the five highest paid individuals) was approximately HK\$1.5 million and approximately HK\$3.2 million, respectively.

Save as disclosed above, no other payments have been paid or are payable by our Group in respect of the two years ended 31 March 2017 to our Directors or the five highest paid individuals of our Group.

It is estimated that, under the arrangements currently in force, the aggregate remuneration (excluding any discretionary bonus) payable by our Group to our Directors for the year ending 31 March 2018 will be approximately HK\$2.5 million.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors as an inducement to join or upon joining our Group or as compensation for loss of office.

During the Track Record Period, none of our Directors waived or agreed to waive any remuneration.

EMPLOYEES' REMUNERATION AND RETIREMENT BENEFIT SCHEMES

For details of our employees' remuneration and retirement benefit schemes, please refer to section headed "Business – Employees".

Share Option Scheme

Our Directors may also receive options to be granted under the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in paragraph headed "12. Share Option Scheme" in Appendix IV to this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), each of our ultimate Controlling Shareholders, Mr. Eric Tse and Mr. CK Tse, acting in concert as a group of Controlling Shareholders and through Land Noble (an investment holding company owned as to 50% by Mr. Eric Tse and 50% by Mr. CK Tse) indirectly held in aggregate 75% interest in our Company. Please see the section headed “Substantial Shareholders” for details of the shareholding interest of our Controlling Shareholders.

RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders and Directors has confirmed that, he/she/it does not have and their respective close associates do not have interest in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

ACTING IN CONCERT CONFIRMATION

In preparation for the Listing, on 9 May 2017, Mr. Eric Tse and Mr. CK Tse executed the Acting in Concert Confirmation, pursuant to which Mr. Eric Tse and Mr. CK Tse confirmed their acting in concert arrangements in the past, as well as their understanding, during the Track Record Period, and to continue to act in the above manner in our Group upon Listing until the Acting in Concert Confirmation is terminated in writing. Under the acting in concert arrangements, Mr. Eric Tse and Mr. CK Tse had exercised their voting rights unanimously at all shareholders’ meetings of Eric Tse Cement Works in respect of the management, operations and financial matters.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having taken into account of the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

Financial independence

We have our own accounting and finance team and make financial decisions according to our own business needs. As at the Latest Practicable Date, our Group had banking facilities that were secured by car parking spaces and properties owned by Mr. Eric Tse, Mr. CK Tse and their spouses, and personal guarantees granted by Mr. Eric Tse and Mr. CK Tse, details of which are set out in note 26 to the Accountants’ Report in Appendix I to this prospectus. The bank has principally agreed that such property securities and personal guarantees will be released upon Listing. Further, certain motor vehicle and machinery and equipment of our Group were under finance leases which were secured by personal guarantee granted by Mr. Eric Tse and Mr. CK Tse, details of which are set out in note 24 to

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

the Accountants' Report in Appendix I to this prospectus. Such personal guarantees were released upon the balance was fully settled during the year ended 31 March 2017. All amounts due from/to our Controlling Shareholders and/or related parties, which are non-trade nature, will be fully settled in cash before the Listing. Hence, we are financially independent of our Controlling Shareholders and their respective associates.

Our Directors believe that, upon Listing, our Group is capable of obtaining financing from third parties without the support of our Controlling Shareholders. Therefore, our Group will be financially independent from our Controlling Shareholders and/or any of their respective close associates.

Operational independence

Having considered that (a) we have established our own operational structure comprising individual teams, each with specific areas of responsibilities; (b) we have established a set of internal control procedures to facilitate the effective operation of our business; (c) all the intellectual property (if any) necessary or desirable for our business are registered in or has applied to be registered under the name of our Group; (d) we have not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates; (e) we have not entered into any connected transaction with our Controlling Shareholders or their respective close associates that will continue after the Listing. Accordingly, our Directors consider that our Group's business operation to be independent from our Controlling Shareholders and their close associates.

Management independence

Our Group's management and operational decisions are made by our Board and a team of senior management. Our Board consists of six members, comprising three executive Directors and three independent non-executive Directors. Although our Controlling Shareholders, namely Mr. Eric Tse and Mr. CK Tse, will also be our executive Directors and retain a controlling interest in our Company after the Listing, we consider that our Board and team of management will function independently because:

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) with three independent non-executive Directors out of a total of six Directors in our Board, there will be a sufficiently robust and independent voice to the decision-making process of our Board to protect the interests of our independent Shareholders; and
- (d) our senior management members are independent and possess in-depth experience and understanding of the industry in which our Group is engaged.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

Major suppliers' independence

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

Major customers' independence

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

DEED OF NON-COMPETITION

For the purpose of the Listing, each of our Controlling Shareholders, Mr. Eric Tse, Mr. CK Tse and Land Noble (collectively, the “**Covenantors**”) has given certain non-competition undertakings in favour of our Company (for itself and as trustee for and on behalf of other members of our Group) under the Deed of Non-competition, pursuant to which each of the Covenantors, irrevocably and unconditionally, jointly and severally, undertakes to and covenants with our Company (for itself and as trustee for other members of our Group) on the following terms with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and the Covenantors, individually or collectively with their close associates, are, directly or indirectly, interested in not less than 30% of our Shares in issue, or are otherwise regarded as Controlling Shareholders:

- (i) undertaking not to engage in competing business: each of the Covenantors shall not, and shall procure each of his/its close associates (other than our Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly (other than through our Group), whether as a shareholder, director, employee, partner, agent or otherwise (other than being a director or shareholder of our Group or members of our Group), carry on or be engaged in, directly or indirectly, a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest (save for the holding in aggregate by the Covenantors and their close associates of not more than 5% shareholding interest in any company listed on the Stock

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Exchange or any other stock exchange) or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time be engaged by our Group (“**Restricted Business**”);

- (ii) undertaking not to solicit staff etc.: each of the Covenantors:
 - a. will not, and will procure his/its close associates (other than our Group) not to, invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition;
 - b. will not offer employment to, enter into a contract for the services of, or attempt to solicit or seek to entice away from our Group any individual who is a director, officer, manager or employee of our Group, or procure or facilitate the making of any such offer or attempt by any other person;
 - c. will not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as the Controlling Shareholder for any purposes other than for the exercise of shareholders’ rights; and
 - d. he/it will address such other enquiries as may be made by the Stock Exchange, the SFC, any other regulatory bodies or our Company from time to time;
- (iii) undertakings in respect of new business opportunity: if each of the Covenantors and/or any of his/its close associates (other than our Group) is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/it shall:
 - a. promptly in any event not later than seven days from the date of offer or becoming aware of the New Business Opportunity notify our Company in writing (“**Offer Notice**”) of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and
 - b. use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates (other than our Group).

If our Group gives a written notice declining the New Business Opportunity and confirming that the New Business Opportunity would not constitute competition with the business of our Group, or if our Group has not sent such written notice

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

to the Covenantors within 30 business days from our Group's receipt of the Offer Notice, the Covenantors will be entitled to pursue the New Business Opportunity. The Covenantors agree to extend the 30 business days to a maximum of 60 business days if our Group requires further time to assess the New Business Opportunity by giving a written notice to the Covenantors within the original period of 30 business days.

- (iv) general undertakings: each of the Covenantors shall:
- a. provide our Company and our Directors (from time to time) with all information necessary and requested by the independent non-executive Directors, including but not limited to monthly turnover records and other relevant documents considered necessary by the independent non-executive Directors for their annual review with regard to the compliance and/or enforcement of the terms of Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition;
 - b. provide our Group, after the end of each financial year of our Company, with a declaration made by each of the Covenantors which shall state whether or not he/it has during that financial year complied with all the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosure in the corporate governance report of our Group; and
 - c. allow our Directors, their respective representatives and the auditors to have sufficient access to the records of the Covenantors and his/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

Each of the Covenantors has undertaken to our Company that he/it will abstain from voting on the board level or the shareholder level of our Company and will not be counted in the quorum if there is any actual or potential conflict of interest in relation to the Restricted Business and the New Business Opportunity.

To ensure that the terms of the Deed of Non-competition are observed, our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and the enforcement of the Deed of Non-competition; and (ii) all the decision made by our Group in relation to whether to take up any New Business Opportunity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES TO SAFEGUARD THE INTEREST OF SHAREHOLDERS

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) compliance with the GEM Listing Rules, in particular strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules where applicable;
- (b) appointment of Kingsway Capital as our compliance adviser to advise us on the compliance matters in respect of the GEM Listing Rules and applicable laws and regulations;
- (c) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the meetings of the Board on matters in which such Director or his/her close associates have an actual or potential material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (d) appointment of three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. Our independent non-executive Directors will conduct annual review on the compliance of the Deed of Non-competition and the enforcement thereby by our Company. We believe our independent non-executive Directors possess the qualification, integrity and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Further details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management";
- (e) our Controlling Shareholders have undertaken and agreed to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (f) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors in relation to the compliance with and the enforcement of the Deed of Non-competition either through our Company's annual report or by way of announcement to the public.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the exercise of any options that may be granted under the Share Option Scheme), the following persons/entities will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who are/will be, directly or indirectly, to be interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name	Capacity/Nature of interest	Number of Shares held immediately after completion of the Share Offer and the Capitalisation Issue <i>(Note 1)</i>	Approximate percentage of interests in our Company immediately after completion of the Share Offer and the Capitalisation Issue
Land Noble	Beneficial owner <i>(Note 4)</i>	450,000,000	75%
Mr. Eric Tse <i>(Notes 2, 3)</i>	Interest in a controlled corporation; interest held jointly with another person	450,000,000	75%
Mr. CK Tse <i>(Notes 2, 3)</i>	Interest in a controlled corporation; interest held jointly with another person	450,000,000	75%
Ms. Or So Lan <i>(Note 3)</i>	Interest of spouse	450,000,000	75%
Ms. Yapp Ngi Yang <i>(Note 3)</i>	Interest of spouse	450,000,000	75%

Notes:

1. All interests stated are long positions.
2. Land Noble is beneficially owned as to 50% by Mr. Eric Tse and 50% by Mr. CK Tse. On 9 May 2017, Mr. Eric Tse and Mr. CK Tse entered into the Acting in Concert Confirmation to acknowledge and confirm, among other things, that they are parties acting in concert during the Track Record Period and that to continue to act in the same manner in our Group upon the Listing. For details, please refer to the section headed “Relationship with our Controlling Shareholders – Acting in Concert Confirmation”. By virtue of the SFO, Mr. Eric Tse and Mr. CK Tse are deemed to be interested in the Shares held by Land Noble.

SUBSTANTIAL SHAREHOLDERS

3. Ms. Or So Lan is the spouse of Mr. Eric Tse. Accordingly, Ms. Or is deemed to be interested in the Shares interested by Mr. Eric Tse for the purposes of the SFO. Ms. Yapp Ngi Yang is the spouse of Mr. CK Tse. Accordingly, Ms. Yapp is deemed to be interested in the Shares interested by Mr. CK Tse for the purposes of the SFO.
4. Land Noble is the direct Shareholder of our Company.

Save as disclosed above, our Directors are not aware of any person who will, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the exercise of any options that may be granted under the Share Option Scheme), has an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company immediately before and following the completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of the options which may be granted under the Share Option Scheme):

HK\$

Authorised share capital

1,500,000,000	Shares of par value HK\$0.01 each	15,000,000
---------------	-----------------------------------	------------

Shares issued and fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer

10,000	Shares in issue as at the date of this prospectus	100
449,990,000	Shares to be issued pursuant to the Capitalisation Issue	4,499,900
<u>150,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>1,500,000</u>
<u>600,000,000</u>	Total issued Shares	<u>6,000,000</u>

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme, or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase the Shares as referred to below.

MINIMUM PUBLIC FLOAT

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

RANKING

The Offer Shares are ordinary shares and will rank pari passu in all respects with all Shares now in issue or to be issued as mentioned in this prospectus, and will qualify in full for all dividends or other distributions declared, made or paid on Shares in respect of a record date which falls after the date of this prospectus, save for entitlements under the Capitalisation Issue.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Share to be allotted and issued or dealt with subject to the requirement that the total number of Shares so allotted and issued or agreed conditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangement, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by our Company, if any, pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This general mandate to issue Shares does not cover Shares to be allotted, issued or dealt with under a rights issue, under the Offer Size Adjustment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Articles.

This general mandate to issue Shares will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the date by which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or
- (c) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors.

For further details of this general mandate to issue Shares, please refer to the paragraph headed “Further information about our Company and its subsidiaries – 3. Resolutions in writing of the sole Shareholder passed on 14 September 2017” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of not more than 10% of the total number of Shares in issue following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme).

This mandate to repurchase Shares only relates to repurchases made on the Stock Exchange, or any other exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in “Further information about our Company and its subsidiaries – Repurchase of our own securities” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the date by which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or
- (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors.

For further details of this general mandate to repurchase shares, see “Further information about our Company and its subsidiaries – 3. Resolutions in writing of the sole Shareholder passed on 14 September 2017” in Appendix IV to this prospectus.

THE SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “12. Share Option Scheme” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting of our Company are required are provided in our Articles of Association and the Companies Law. For a summary, see Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial statements, including the notes thereto, as set forth in the Accountants' Report set out in Appendix I to this prospectus. Our Group's combined financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections will depend on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus.

OVERVIEW

We principally perform wet trades works as a subcontractor in Hong Kong. We have over 35 years of experience in undertaking wet trades works in Hong Kong.

Our services are principally undertaken by Eric Tse Cement Works, our key operating subsidiary. As a subcontractor, we provide our customers with comprehensive wet trades works solutions which generally includes tile laying, brick laying, plastering, floor screeding and marble works. For the two years ended 31 March 2017, our Group derived revenue of approximately HK\$267.4 million and HK\$285.4 million from wet trades works, respectively.

During the Track Record Period and up to the Latest Practicable Date, we completed 27 wet trades projects with a total contract sum of approximately HK\$473.0 million. As at the Latest Practicable Date, we had 26 projects on hand (including contracts in progress as well as contracts that have been awarded to us but not yet commenced).

For further information about our business and operations, please refer to the section headed "Business" in this prospectus.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company under the Cayman Companies Law on 12 April 2017 with limited liability. In preparation of the Listing, the companies comprising our Group underwent the Reorganisation, further details of which are set out in the section headed "History, Development and Reorganisation – Reorganisation" to this prospectus.

FINANCIAL INFORMATION

Pursuant to the completion of Reorganisation on 6 September 2017, our Company has become the holding company of our Group. Our Group comprising our Company and subsidiaries resulting from the Reorganisation is regarded as a continuing entity, and accordingly, the combined financial statements have been prepared as if our Company had always been the holding company of our Group.

The combined statements of profit or loss and other comprehensive income, combined statements of financial position, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period as set out in the Accountants' Report are prepared as if the current group structure had been in existence throughout the Track Record Period.

Inter-company transactions, balances and unrealised gains and losses on transactions between our group companies are eliminated. When necessary, adjustments are made on the accounting policies of our subsidiaries in order to ensure consistency with the accounting policies as adopted by our Group.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Directors have identified certain accounting policies that are significant to the preparation of our combined financial statements. The significant accounting policies which are important for an understanding of our financial condition and results of operations, are set forth in details in Note 2 and Note 4 to the Accountants' Report. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. The determination of these items requires management judgements based on information and financial data that may change in future periods. Our Directors believe accounting policies such as revenue recognition, impairment of financial assets, gross amounts due from/to customers for contract work, trade and other receivables and recognition of deferred income tax involved the most significant estimates and judgements used in the preparation of our financial statements.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk Factors" to this prospectus:

Our revenue is mainly derived from projects which are non-recurrent in nature and any significant decrease in the number of our projects would affect our operations and financial results

Our revenue which depends on the market demand for wet trades works, is derived from contracts awarded through competitive tendering and is not recurring in nature. Market demand for our services is mainly affected by the number of public and private buildings in Hong Kong and other macroeconomic factors. We cannot assure that our existing customers will award new projects to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to attract new

FINANCIAL INFORMATION

customers or secure new projects from our existing customers, there may be a significant decrease in our revenue. Our operations and financial results would hence be adversely affected.

Direct labour costs and subcontracting charges

Direct labour costs and subcontracting charges represent a significant portion of our direct costs. During the Track Record Period, (i) our direct labour costs accounted for approximately 3.7% and 4.2% of our direct costs for the years ended 31 March 2016 and 2017 respectively; and (ii) subcontracting charges accounted for approximately 86.8% and 87.6% of our direct costs for the years ended 31 March 2016 and 2017 respectively. In case of any significant increase in the direct labour costs and subcontracting charges, and if our Group is unable to pass on such increase to our customers, our business and profitability may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's direct labour costs and subcontracting charges on our Group's profit before tax during the Track Record Period. According to the Frost & Sullivan Report, from 2011 to 2016, the average daily wage rate of workers in wet trades industry in Hong Kong increased at a CAGR of 6.9%. We considered reasonable to adopt 3.5% and 7.0% as the hypothetical fluctuation rates for the purpose of this sensitivity analysis:

Hypothetical fluctuations in direct labour costs	-7.0%	-3.5%	+3.5%	+7.0%
Increase/(decrease) in profit before tax	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2016	636	318	(318)	(636)
Year ended 31 March 2017	759	379	(379)	(759)
Hypothetical fluctuations in subcontracting charges	-7.0%	-3.5%	+3.5%	+7.0%
Increase/(decrease) in profit before tax	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2016	15,035	7,517	(7,517)	(15,035)
Year ended 31 March 2017	15,685	7,842	(7,842)	(15,685)

FINANCIAL INFORMATION

Accuracy in the estimation of time and costs involved in projects when determining tender price

We need to determine our tender price based on the cost estimate plus a certain mark-up margin. The actual amount of time and costs involved in completing a project may be adversely affected by many factors, including but not limited to, disputes with customers, suppliers and other project parties, difficulties in retaining necessary number of workers with requisite skills, receipt of variation orders from our customers and other unforeseen circumstances. Any material inaccurate estimation in the time and costs involved in a project may adversely affect our profit margin and results of operations.

Timing of collection of our trade receivables and retention receivables

We receive progress payment from our customers pursuant to the respective contractual terms. In general, we normally submit payment applications to our customers on a monthly basis. If the customer is satisfied with the payment application, a payment certificate will be issued to us and payment will be subsequently made. There can be no assurance that we will be paid on time. Furthermore, dispute may arise between us and our customer as to the value of work properly done in a particular period, and the progress payment that we are entitled to receive accordingly.

As at 31 March 2017, our trade receivables balance net of provision for impairment amounted to approximately HK\$16.3 million and our retention receivables amounted to approximately HK\$28.9 million. Any failure by our customers to make payment to our Group on a timely basis may have an adverse effect on our liquidity, cash flow and financial performance.

Performance and availability of the subcontractors

We subcontracted various parts of our projects to our subcontractors, who are independent third parties, from time to time. There is no assurance that our subcontractors will always follow strictly all of our instructions. Outsourcing exposes our Group to the risks associated with non-performance, delay in project completion or quality issues concerning the works done by our Group's subcontractors. As a result, we may incur additional time or costs or be subject to liability under the relevant contracts between our Group and our customers for the subcontractors' unsatisfactory performance. Such events could impact upon our profitability, financial performance and reputation. Furthermore, our subcontractors may not always be readily available whenever we need to engage them. Notwithstanding our proven working relationship with our subcontractors, there is no assurance that we would be able to maintain such relationships in the future. In addition, there is no assurance that we will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial performance may also be adversely affected.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets forth our combined statements of profit or loss and other comprehensive income for the years ended 31 March 2016 and 2017, as derived from the Accountants' Report:

Combined statements of profit or loss and other comprehensive income

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	267,408	285,430
Direct costs	<u>(247,393)</u>	<u>(255,612)</u>
Gross profit	20,015	29,818
Other income and gain	17	71
Administrative and other operating expenses	(5,238)	(13,691)
Finance costs	<u>(62)</u>	<u>(177)</u>
Profit before income tax	14,732	16,021
Income tax expense	<u>(2,411)</u>	<u>(3,465)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	<u><u>12,321</u></u>	<u><u>12,556</u></u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS FOR THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our Group's revenue was derived from performing wet trades works as a subcontractor. Our Group recognised revenue according to the percentage of work performed of each of our contracts as at the end of each reporting period with details as following:

Revenue recognition

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion is determined by methods which can measure the work performed to date reliably based on surveys of work performed. Variations in contract works, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probably.

Our Group recognises its contract revenue according to the percentage of work performed of each of our contracts as at the end of each reporting period. Our Group had determined the percentage of work performed based on the payment certificate certified by the quantity surveyors of our customers in respect of the work performed by our Group. The progress amount on the payment certificate reflect the best value of the work performed by our Group to date. Our Directors have determined that this method measures reliably the work performed by our Group.

Where payment certificate for any of our works has not been issued as at our financial reporting period end or the payment certificate issued by our customers does not cover up to the end of a reporting period, the revenue recognised from the last progress certification to the end of the reporting period is estimated based on the estimated stage of completion up to the end of the reporting period with reference to the next progress certification that takes place subsequent to the end of the reporting period. For the purpose of determining the estimated stage of completion up to the end of a reporting period, the amount of works performed as confirmed by the next payment certificate that takes place subsequent to the reporting period-end is allocated between two financial periods based on the amount of works performed as recorded on the payment application prepared by our quantity surveyors. Our Group's quantity surveyors, assisted by our site agents, are responsible for performing on-site inspection and evaluation of the work progress. Based on the result of their inspection, our quantity surveying team prepares payment application that records the amount of works performed, which is subject to approval of Mr. Li Kwan Lung, our head of quantity surveying team. The above quantity surveying function is overseen by Mr. Li and his team of quantity surveyors. For more details of Mr. Li's qualifications, please refer to the section headed "Directors and Senior Management" in this prospectus.

FINANCIAL INFORMATION

Our application for progress payments is normally made on a monthly basis, based on the works performed by us in the preceding month. We submit the progress certificates to our customers on a monthly basis. Once our customers approve our payment application, a payment certificate will normally be issued to us within 15 days and our customers will pay us the interim payment within 17 to 35 days after the issue of payment certificate.

All of our projects during the Track Record Period were located in Hong Kong. We undertook projects in both public and private sectors. Our Group classifies public sector projects as projects in which the ultimate employer(s) is a government department or a statutory body while private sector projects refer to those that are not public sector projects. The following table sets forth the breakdown of our revenue by public and private sectors during the Track Record Period:

	Year ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Private sector	235,189	88.0	258,260	90.5
Public sector	<u>32,219</u>	12.0	<u>27,170</u>	9.5
	<u><u>267,408</u></u>	100.0	<u><u>285,430</u></u>	100.0

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

	Year ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Residential buildings	191,030	71.4	212,253	74.4
Community facilities ^(Note)	41,323	15.5	54,213	19.0
Public housing	25,050	9.4	15,999	5.6
Commercial buildings	<u>10,005</u>	3.7	<u>2,965</u>	1.0
	<u><u>267,408</u></u>	100.0	<u><u>285,430</u></u>	100.0

Note: Community facilities include hospital, police office and other community facilities.

Residential buildings

Our revenue from residential buildings increased by approximately HK\$21.2 million or 11.1%, from approximately HK\$191.0 million for the year ended 31 March 2016 to approximately HK\$212.3 million for the year ended 31 March 2017. The increase was primarily due to (i) new projects awarded during the year ended 31 March 2017, including Projects F001, F002 and B006 with contract sum of approximately HK\$29.0 million, HK\$40.8 million and HK\$10.9 million respectively; (ii) for Project A008 with contract sum of approximately HK\$63.0 million, we have recognised significant portion of revenue with

FINANCIAL INFORMATION

amount of approximately HK\$41.6 million during the year ended 31 March 2017, which increased by approximately HK\$26.3 million when compared to the year ended 31 March 2016 and; (iii) on the other hand, the increase of revenue was partially offset by the completion of Project E002, which our revenue recognised from the project decreased by approximately HK\$46.9 million.

Community facilities

Our revenue from community facilities increased by approximately HK\$12.9 million or 31.2%, from approximately HK\$41.3 million for the year ended 31 March 2016 to approximately HK\$54.2 million for the year ended 31 March 2017. The increase was primarily due to the increase in revenue recognised from Project E003, which was a large scale project with contract sum of approximately HK\$67.1 million. During the year ended 31 March 2017, we received additional variation orders for the project with amount of approximately HK\$6.0 million, and the revenue recognised of the project increased by approximately HK\$14.3 million when compared to the year ended 31 March 2016.

Public housing

Our revenue from public housing decreased by approximately HK\$9.1 million or 36.1%, from approximately HK\$25.1 million for the year ended 31 March 2016 to approximately HK\$16.0 million for the year ended 31 March 2017. The decrease was primarily due to the decrease in revenue recognised from Project A004, with amount of approximately HK\$12.1 million as it was near completion which major works were performed during the year ended 31 March 2016.

Commercial buildings

Our revenue from commercial buildings decreased by approximately HK\$7.0 million or 70.4% from approximately HK\$10.0 million for the year ended 31 March 2016 to approximately HK\$3.0 million for the year ended 31 March 2017. The decrease was primarily due to the decrease in revenue recognised from Project D001, with amount of approximately HK\$6.6 million as it was completed in December 2016 while we performed variation orders for the project with approximately HK\$0.9 million during the year ended 31 March 2017.

During the Track Record Period and up to the Latest Practicable Date, we completed 27 projects. For the details, please refer to the section headed “Business – Our Projects” to this prospectus.

FINANCIAL INFORMATION

Direct costs

Our direct costs primarily consisted of subcontracting charges, materials and toolings and direct labour costs. The table below sets forth a breakdown of our direct costs by nature during the Track Record Period:

	Year ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Subcontracting charges	214,780	86.8	224,069	87.6
Materials and toolings	18,174	7.3	17,393	6.8
Direct labour costs	9,081	3.7	10,838	4.2
Rental of machinery and equipment	629	0.3	151	0.1
Depreciation	337	0.1	420	0.2
Other direct costs	4,392	1.8	2,741	1.1
	<u>247,393</u>	<u>100.0</u>	<u>255,612</u>	<u>100.0</u>

Subcontracting charges

Being the largest component of our direct costs during the Track Record Period, subcontracting charges represent the fees paid to our subcontractors as we further subcontract the works to them, which is a common industry practice in Hong Kong. The subcontracting charges increased by approximately HK\$9.3 million or 4.3% from approximately HK\$214.8 million for the year ended 31 March 2016 to approximately HK\$224.1 million for the year ended 31 March 2017. The increase was primarily driven by the increase in our revenue during the year ended 31 March 2017.

Materials and toolings

Materials and toolings which represent the costs of construction materials and toolings used for performing wet trades works. The materials we used mainly comprise base plaster, tile adhesive, river sand, cement, sand brick and aggregates, while the toolings we used mainly comprise plastering hawk, plastering trowel and brick axe. Our costs of materials and toolings decreased by approximately HK\$0.8 million or 4.3% from approximately HK\$18.2 million for the year ended 31 March 2016 to approximately HK\$17.4 million for the year ended 31 March 2017. The decrease was primarily because during the year ended 31 March 2017, some of our customers procured construction materials for respective project by themselves. Accordingly, we were not required to purchase materials for those projects and led to the decrease in our costs of materials and toolings.

Direct labour costs

Direct labour costs represent our staff costs which are directly related to the provision of wet trades works. We have average staff of 26 and 32 for the years ended 31 March 2016 and 2017, respectively, who are directly related to the provision of wet trades works. Our

FINANCIAL INFORMATION

staff costs increased by approximately HK\$1.8 million or 19.3% from approximately HK\$9.1 million for the year ended 31 March 2016 to approximately HK\$10.8 million for the year ended 31 March 2017. The increase in our staff costs was primarily due to the increase in the headcount of staff, as we were awarded more projects during the year ended 31 March 2017.

Gross profit and gross profit margin

During the years ended 31 March 2016 and 2017, our gross profit was approximately HK\$20.0 million and HK\$29.8 million respectively, and our gross profit margins were approximately 7.5% and 10.4% for the years ended 31 March 2016 and 2017 respectively.

The following table sets forth our gross profits and gross profit margins by building types during the Track Record Period:

	Year ended 31 March			
	2016		2017	
	Gross Profit Margin <i>HK\$'000</i>	Gross Profit Margin <i>%</i>	Gross Profit Margin <i>HK\$'000</i>	Gross Profit Margin <i>%</i>
Residential buildings	11,614	6.1	18,062	8.5
Community facilities <i>(Note)</i>	3,327	8.1	9,895	18.3
Public housing	4,502	18.0	1,493	9.3
Commercial buildings	572	5.7	368	12.4
	20,015	7.5	29,818	10.4

Note: Community facilities include hospital, police office and other community facilities.

Our gross profit margin of each individual project depends on a number of factors, including but not limited to tender price, scope of work, technical complexity, variation orders and work schedule required by our customers, and therefore varies from project to project. In particular, other things being constant, we generally recorded higher gross profit margin for projects that (i) require tight schedule for completion; (ii) have more variation orders and (iii) less amount of defects identified throughout the project and during the defect liability period. It is our Directors' objective to maximise gross profit margin for each project.

Please refer to the paragraph headed "Review of Historical Results of Operations" of this section below for a discussion of the fluctuation of our Group's gross profit margin during the Track Record Period.

FINANCIAL INFORMATION

Administrative and other operating expenses

Administrative and other operating expenses mainly include staff costs, directors' emoluments, listing expenses and provision for impairment of trade receivables. The following table sets forth a breakdown of our administrative and other operating expenses by nature during the Track Record Period:

	Year ended 31 March			
	2016		2017	
	HK\$'000	%	HK\$'000	%
Staff costs, including directors' emoluments	2,253	43.0	2,968	21.7
Entertainment	595	11.4	604	4.4
Provision for impairment of retention receivables	544	10.4	–	–
Penalty	371	7.1	567	4.1
Depreciation	345	6.6	229	1.7
Motor vehicle expenses	228	4.3	174	1.3
Repairs and maintenance	27	0.5	341	2.5
Listing expenses	–	–	5,099	37.2
Provision for impairment of trade receivables	–	–	2,665	19.5
Rental on office	–	–	180	1.3
Other administrative and other operating expenses	<u>875</u>	<u>16.7</u>	<u>864</u>	<u>6.3</u>
	<u><u>5,238</u></u>	<u>100.0</u>	<u><u>13,691</u></u>	<u>100.0</u>

Staff costs, including directors' emoluments

Staff costs not directly related to our provision of wet trades works are classified as administrative and other operating expenses. We have average staff of 7 and 8 for the years ended 31 March 2016 and 2017 respectively. The increase in staff costs was primarily due to the increase in headcount and monthly salary of our staff on average.

Penalty

During the Track Record Period, penalty was charged to our Group by our customers, as our subcontractors did not follow the safety guidelines issued by our customers during works execution. We have provided and will continue to provide our safety plan to all subcontractors to raise their awareness of work safety. We have been and will continue to provide safety training to our subcontractors before the start of site work. Furthermore, we engaged Safety Consultant to review our general safety policy to assisting our Group to improve our overall safety performance.

FINANCIAL INFORMATION

Finance costs

Our finance costs mainly represent interest expenses on obligations under finance leases of machineries and our bank overdrafts. The table below sets forth a breakdown of our finance costs during the Track Record Period:

	Year ended 31 March			
	2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Interest on finance leases	62	100.0	46	26.0
Interest on bank overdrafts	—	—	131	74.0
	<u>62</u>	<u>100.0</u>	<u>177</u>	<u>100.0</u>

The increase in our finance costs was primarily due to the interest on bank overdrafts, as we utilised the bank overdrafts as working capital from the last quarter of our financial year ended 31 March 2017.

Income tax expense

Income tax expense represents income tax paid or payable by us, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction our Group operates or domiciles. We had no tax payable in other jurisdictions other than Hong Kong during the Track Record Period. Our operations in Hong Kong are subject to a statutory profit tax rate of 16.5%.

Our effective tax rates, calculated as our income tax expense for the corresponding year divided by our profit before taxation for the year, were 16.4% and 21.6% for the years ended 31 March 2016 and 2017 respectively. The increase of the effective tax rates for the year ended 31 March 2017 compared to the year ended 31 March 2016 was mainly due to the increase of tax effect of non-deductible expenses, as we incurred listing expenses which were non-deductible for tax purpose during the year ended 31 March 2017.

During the audit for the year ended 31 March 2016 of our subsidiary, Eric Tse Cement Works, errors in the financial statements were identified for the years ended 31 March 2014 and 2015. The errors were related to the recognition of contract revenue and corresponding costs which our subsidiary did not properly adopt relevant accounting policies. Our accounting clerk did not possess professional accounting qualification and experience and did not recognise revenue and corresponding costs according to the percentage of work performed, but based on actual payments from our customers instead. Upon revealing of the errors, Eric Tse Cement Works has rectified its accounts for each of the years ended 31 March 2014 and 2015 by adopting appropriate accounting policies of recognising revenue based on percentage of completion. Our assessable profits for the years ended 31 March 2014 and 2015, which was reported in the tax returns filed to the Inland Revenue Department (“IRD”), was understated by approximately HK\$0.4 million and HK\$7.1 million respectively.

FINANCIAL INFORMATION

On the other hand, it was further identified that our staff carelessly made a mistake on the calculation of assessable profits by computing incorrect amount of tax loss regarding the year of assessment of 2015/16, which was reported in the tax return filed to the IRD. Our assessable profits for the year was understated by approximately HK\$0.3 million.

Our statutory auditor, who had been engaged in September 2016, reviewed our accounting records and tax computations, and suggested necessary adjustments. Our Group agreed with the adjustments and our statutory auditor had issued unqualified opinion for the year ended 31 March 2016 with restated financial statements for the years ended 31 March 2014 and 2015. After the completion of the audit, we have voluntarily submitted revised tax computations for the years of assessment 2013/14, 2014/15 and 2015/16 to the IRD with rectified financial figures in November 2016. The IRD issued notices of additional assessments regarding the relevant years to Eric Tse Cement Works on 28 April 2017 and the additional final tax has been duly settled by Eric Tse Cement Works on 9 May 2017. The amount of tax undercharged was approximately HK\$22,000, HK\$1.1 million and HK\$45,000 for the years of assessment of 2013/14, 2014/15 and 2015/16 respectively.

We also engaged the independent Tax Adviser to review our tax computation for the relevant years. The Tax Adviser has reviewed prior years' tax filing records of Eric Tse Cement Works for the years of assessment of 2013/14, 2014/15 and 2015/16, including its respective profits tax returns, profit tax computations, notices of assessment and audited financial statements. Based on its opinion, there was a potential risk that Eric Tse Cement Works might be charged by the IRD under sections 80(2) or 82A of the Inland Revenue Ordinance ("IRO"). The maximum exposure under institution of section 80(2) of the IRO is a fine of HK\$10,000 and treble the amount of tax undercharged. The maximum exposure under institution of section 82A of the IRO is a fine of treble the amount of tax undercharged. Accordingly, the potential exposure of Eric Tse Cement Works was approximately HK\$77,000, HK\$3.4 million and HK\$146,000 for the years of assessment of 2013/14, 2014/15 and 2015/16 respectively. Having considered (i) the unqualified opinion issued by the statutory auditor regarding the financial statements for the year ended 31 March 2016 and restated financial statements for the years ended 31 March 2014 and 2015; (ii) voluntary submission of revised tax computations to the IRD and (iii) full payment of the tax undercharged, the Tax Adviser is of the view that it is unlikely that the IRD will impose tax penalty on Eric Tse Cement Works, given that Eric Tse Cement Works did not have the intention to evade tax liabilities.

Furthermore, the Tax Adviser is of the view that there was no tax underpaid by Eric Tse Cement Works for the year of assessment 2012/13 or before, given that Eric Tse Cement Works was in tax loss position for the year of assessment before 2013/14 under the rectified accounting records and related tax computations.

Based on the tax opinion given by the Tax Adviser, the management of our Group considered that the likelihood of being imposed with penalty was remote and hence no provision for such amount has been made to the financial statements of our Group for the Track Record Period.

FINANCIAL INFORMATION

Furthermore, our Controlling Shareholders have entered into a Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other things, any taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received or entered into (or deemed to be so earned, accrued, received or entered into) on or before the Listing Date or any event or transaction on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company. For detailed terms of the Deed of Indemnity, please refer to the paragraph headed “13. Tax and other indemnities” in Appendix IV to this prospectus.

In order to prevent the reoccurrence of similar incidents, we have adopted the following measures: (a) Mr. Tsoi Chi Hei, our financial controller will oversee the accounting and finance department and monitor financial reporting procedures to ensure the adoption of proper accounting policies. Please refer to the section headed “Directors and Senior Management – Senior Management” in this prospectus for the biography of Mr. Tsoi; (b) Mr. Tsoi shall review the monthly management accounts prepared by the accounting team and involved in preparation of financial statements of our Group to ensure that they are prepared in accordance with the HKFRSs, which will then be reviewed and approved by the Board of Directors; (c) Mr. Tsoi will also be responsible for reviewing the tax returns filing to the IRD; and (d) if necessary, tax adviser will be consulted to ensure tax related laws and requirements are complied with.

Our IC Adviser, an independent third party, has reviewed the above internal control policy and no material control deficiency has been identified and is satisfied that our Group has effective control measures to ensure ongoing compliance with the financial reporting standards.

Views of our Directors and our Sole Sponsor

Having considered the background leading to the tax incidents mentioned above and the views from our Tax Adviser and IC Adviser on our Group’s internal control system, our Directors are of the view that (i) the various internal control measures adopted by our Group as stated above are adequate and effective; and (ii) the tax incidents identified would not materially affect the suitability for our Company’s listing under Rule 11.06 of the GEM Listing Rules.

Having considered the followings, the Sole Sponsor concurs with our Directors’ view stated above and nothing has come to the attention of the Sole Sponsor that would cause it to believe that the internal control of our Group is inadequate and insufficient under the GEM Listing Rules to prevent recurrence of the above-mentioned incidents in the future:

- having considered the nature of the tax incidents and the remedial actions taken;
- having considered the basis of views from our Tax Adviser and IC Adviser;
- having considered the enhanced internal control measures; and

FINANCIAL INFORMATION

- having considered the background of our Group's financial controller.

Profit for the year and net profit margin

As a result of the foregoing, our net profit was approximately HK\$12.3 million and HK\$12.6 million for the years ended 31 March 2016 and 2017 respectively. Our net profit margin was 4.6% and 4.4% for the years ended 31 March 2016 and 2017 respectively. For wet trade works, it was primarily labour intensive and our subcontracting charges represented major portion of our direct costs, which accounted for approximately 86.8% and 87.6% of our direct costs during the years ended 31 March 2016 and 2017 respectively. As we aimed at controlling our quality of work performed and maintaining our well established reputation, we selected our subcontractors with better technical capability, experience and reputation, despite of limited source of skilled labour in Hong Kong. With considered to the cost structure and the industry environment in Hong Kong, to the best of our Directors' knowledge, our net profit margin during the Track Record Period was considered as reasonable within the industry of wet trade works.

Our net profit margin slightly decreased from 4.6% for the year ended 31 March 2016 to 4.4% for the year ended 31 March 2017. The decrease was primarily due to the listing expenses and provision for impairment of trade receivables incurred during the year ended 31 March 2017, while partially offset by the increase of our gross profit margin.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 March 2017 compared with year ended 31 March 2016

Revenue

Our revenue increased by approximately HK\$18.0 million or 6.7%, from approximately HK\$267.4 million for the year ended 31 March 2016 to approximately HK\$285.4 million for the year ended 31 March 2017. The increase was primarily due to the increase in new contracts awarded, from approximately HK\$232.4 million during the year ended 31 March 2016 to approximately HK\$360.1 million during the year ended 31 March 2017. Furthermore, for large scale projects, including the Projects A008 and E003 with contract sum of HK\$63.0 million and HK\$67.1 million, we have recognised significant portion of revenue from them with amount of approximately HK\$41.6 million and HK\$43.0 million respectively during the year ended 31 March 2017. The amount of revenue recognised from the Projects A008 and E003 for the year ended 31 March 2017 increased by approximately HK\$26.3 million and HK\$14.3 million respectively when compared to the year ended 31 March 2016. This also led to the increase in our revenue during the year ended 31 March 2017 accordingly.

Direct costs

Our direct costs increased by approximately HK\$8.2 million or 3.3%, from approximately HK\$247.4 million for the year ended 31 March 2016 to approximately HK\$255.6 million for the year ended 31 March 2017. The increase was primarily driven by the increase in our revenue.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$9.8 million or 49.0% from approximately HK\$20.0 million for the year ended 31 March 2016 to approximately HK\$29.8 million for the year ended 31 March 2017. Our gross profit margin increased from 7.5% for the year ended 31 March 2016 to 10.4% for the year ended 31 March 2017.

Residential buildings

Our gross profit margin of residential buildings increased from 6.1% for the year ended 31 March 2016 to 8.5% for the year ended 31 March 2017. The increase was primarily due to the decrease in the actual costs incurred compared to our estimation, as we incurred less time and costs for fixing defects before the completion of projects. When preparing a tender, we consider both costs of labours and construction materials to be incurred for the project, including estimated costs for fixing defects which mainly incurred at the late construction stage before project completion. As the actual costs for fixing defects subject to our customers' inspection were less than our original estimation, our gross profit margin increased accordingly.

Community facilities

Our gross profit margin of community facilities increased from 8.1% for the year ended 31 March 2016 to 18.3% for the year ended 31 March 2017. The increase was primarily due to the increase in scale of projects during the year ended 31 March 2017. Furthermore, we received additional variation orders for Project E003 with amount of approximately HK\$6.0 million, which led to the increase in gross profit margin of the project from approximately 7.9% for the year ended 31 March 2016 to approximately 18.6% for the year ended 31 March 2017.

Public housing

Our gross profit margin of public housing decreased from 18.0% for the year ended 31 March 2016 to 9.3% for the year ended 31 March 2017. The decrease was primarily due to the increase in costs of checking and fixing defects of Project A004 for the year ended 31 March 2017, as a result of our customer of the project requested us to remove previously performed works for inspection of internal fresh water pipes, so as to ensure no excess content of heavy metal inside the fresh water pipes. After the inspection, we were required to re-perform the wet trade works and led to the increase in our costs of the project accordingly. Our Directors confirm that (i) it was related to additional customer's request and it did not involve any disputes or claims from our customer; (ii) the additional request was not caused by any defects or departure from the agreed practices or procedures on the part of our Group. Although the additional request was made by our customer, our Group was obligated to bear the cost in accordance with the terms of the contract with our customer that the work schedule set out in the project contract is merely for reference. Our customer has the right to amend or rearrange the order of the work schedule as its discretion, and our Group is required to execute our wet trade works in accordance with the work schedule of our customer prescribed by our customer from time to time. Our Directors confirm that, as the "lead in drinking water incidents" happened during the project period

FINANCIAL INFORMATION

and for addressing the public concern about the safety of drinking water in public housing at that time, our customer amended the work schedule to arrange thorough inspection on all fresh water pipes as its first priority. Prior to such inspection, our Group had already completed part of our wet trade works that covered the fresh water pipes on the walls by cement and tiles but such work done was not yet certified by our customer. Our customer orally requested us to remove the cement and tiles to allow the inspection to take place. Our Directors consider that our customer's additional request was legitimate because of (a) our Group's contractual obligation to follow our customer's instructions and (b) the pressing need to address public concern over the safety of drinking water.

Commercial buildings

Our gross profit margin of commercial buildings increased from 5.7% for the year ended 31 March 2016 to 12.4% for the year ended 31 March 2017. The increase was primarily due to the increase in variation orders received with amount of approximately HK\$0.9 million for Project D001 completed in December 2016, which led to the increase in gross profit margin of the project from approximately 6.6% for the year ended 31 March 2016 to approximately 8.7% for the year ended 31 March 2017. Furthermore, we have 2 projects completed during the year with less actual costs incurred compared to our estimation, as less defects were requested to be fixed by our customers.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$8.5 million or 161.4% from approximately HK\$5.2 million for the year ended 31 March 2016 to approximately HK\$13.7 million for the year ended 31 March 2017. The increase was primarily due to our listing expenses of approximately HK\$5.1 million and provision for impairment of trade receivables of approximately HK\$2.7 million incurred during the year ended 31 March 2017.

As at 31 March 2017, the gross balance due from Customer C, one of our top 5 customers, was approximately HK\$4.2 million, of which approximately HK\$2.7 million was overdue more than 90 days without any repayment. Provision for impairment of trade receivables was fully provided for the balance overdue more than 90 days without any repayment during the year ended 31 March 2017, as we considered the amount as irrecoverable as at 31 March 2017, and our Group also ceased to work for Customer C since November 2016. For the remaining balance of approximately HK\$1.5 million, we have obtained a letter from Customer C for confirming the payment procedure, and up to the Latest Practicable Date, approximately HK\$0.4 million of the gross balance due from Customer C as at 31 March 2017 has been settled. As subsequent payment has been received from Customer C, our Directors considered the remaining balance of approximately HK\$1.5 million as recoverable and we will continuously follow up with Customer C for settlement of unpaid balance.

FINANCIAL INFORMATION

Finance costs

Our finance costs increased by approximately HK\$115,000 or 185.5% from approximately HK\$62,000 for the year ended 31 March 2016 to approximately HK\$177,000 for the year ended 31 March 2017. The increase was primarily due to the interest on bank overdrafts, as we utilised the bank overdrafts as working capital from the last quarter of our financial year ended 31 March 2017.

Income tax expense

Our income tax expense increased by approximately HK\$1.1 million or 43.7% from approximately HK\$2.4 million for the year ended 31 March 2016 to approximately HK\$3.5 million for the year ended 31 March 2017. The increase was primarily due to the increase of our profit before income tax for the year ended 31 March 2017. Furthermore, the tax effect of non-deductible expenses increased for the year ended 31 March 2017 when compared to the year ended 31 March 2016, as we incurred listing expenses of approximately HK\$5.1 million for the year ended 31 March 2017 which were non-deductible for tax purpose.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by approximately HK\$0.2 million or 1.9% from approximately HK\$12.3 million for the year ended 31 March 2016 to approximately HK\$12.6 million for the year ended 31 March 2017.

Our net profit margin slightly decreased from 4.6% for the year ended 31 March 2016 to 4.4% for the year ended 31 March 2017. The decrease was primarily due to the listing expenses and provision for impairment of trade receivables incurred during the year ended 31 March 2017, while partially offset by the increase of our gross profit margin.

FINANCIAL INFORMATION

DISCUSSION OF SELECTED COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

The following set forth the selected financial information of our combined statements of financial position as at 31 March 2016 and 2017, which are extracted from the Accountants' Report:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Plant and equipment	1,342	2,003
Deferred tax assets	—	179
	<u>1,342</u>	<u>2,182</u>
Current assets		
Gross amounts due from customers for contract work	11,140	28,608
Trade and other receivables	35,707	48,074
Amounts due from directors	14,032	—
Cash and bank balances	25,402	29,389
Restricted cash	—	80
	<u>86,281</u>	<u>106,151</u>
Total assets	<u>87,623</u>	<u>108,333</u>
EQUITY		
Capital and reserves		
Combined capital	—	10,000
Retained earnings	19,047	31,603
	<u>19,047</u>	<u>41,603</u>
Total equity	<u>19,047</u>	<u>41,603</u>
LIABILITIES		
Non-current liabilities		
Finance lease liabilities	298	—
Deferred tax liabilities	112	—
	<u>410</u>	<u>—</u>

FINANCIAL INFORMATION

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities		
Gross amounts due to customers for contract work	7,540	7,733
Trade and other payables	19,972	29,148
Amount due to a related company	36,543	–
Amounts due to directors	–	20,432
Finance lease liabilities	524	–
Bank overdrafts	–	6,246
Current income tax liabilities	3,587	3,171
	<u>68,166</u>	<u>66,730</u>
Total liabilities	<u><u>68,576</u></u>	<u><u>66,730</u></u>
Total equity and liabilities	<u><u>87,623</u></u>	<u><u>108,333</u></u>
Net current assets	<u><u>18,115</u></u>	<u><u>39,421</u></u>
Total assets less current liabilities	<u><u>19,457</u></u>	<u><u>41,603</u></u>

Plant and equipment

Our Group's plant and equipment mainly comprised machinery and equipment and motor vehicles. Machinery and equipment mainly represents the various types of machinery for our wet trades works, such as forklift and plaster spraying machine. We purchased our machinery and equipment mainly with our internal resources and through hire-purchase arrangements during the Track Record Period. The following table sets forth the carrying amount of our plant and equipment as at the dates indicated:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Office equipment	6	191
Motor vehicles	359	144
Machinery and equipment	977	1,668
	<u>1,342</u>	<u>2,003</u>

The carrying amount of our plant and equipment was approximately HK\$1.3 million and HK\$2.0 million as at 31 March 2016 and 2017 respectively. The increase of our plant and equipment was mainly due to the additions of machinery and equipment during the year ended 31 March 2017.

FINANCIAL INFORMATION

The following table sets forth the net book value of our motor vehicle under finance leases as at the dates indicated:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost – capitalised finance lease	498	–
Accumulated depreciation	(353)	–
	145	–
Net book value	145	–

The following table sets forth the net book value of our machinery and equipment under finance leases as at the dates indicated:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost – capitalised finance lease	1,391	–
Accumulated depreciation	(459)	–
	932	–
Net book value	932	–

Gross amounts due from/to customers for contract work

Our Group records gross amounts due from customers of contract work when the sum of the costs incurred for a project and the respective recognised profit (less recognised loss) is greater than the amount of progress billings of the project. On the other hand, our Group records gross amounts due to customers of contract work when the sum of the costs incurred for a project and the respective recognised profit (less recognised loss) is less than the amount of progress billings of the project.

FINANCIAL INFORMATION

The following table sets forth our gross amounts due from/to customers for contract work as at the dates indicated:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	254,483	627,021
Less: Progress billings received and receivables	<u>(243,343)</u>	<u>(598,413)</u>
	<u>11,140</u>	<u>28,608</u>
Gross amounts due to customers for contract work		
Progress billings received and receivables	304,967	195,793
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(297,427)</u>	<u>(188,060)</u>
	<u>7,540</u>	<u>7,733</u>
Net amounts due from customers for contract work	3,600	20,875

The gross amounts due from/to customers for contract work are usually affected by the volume and value of the works performed by us near the end of each reporting period and the timing of the issuance of payment certificates, and thus vary from period to period. The increase in the net amounts due from customers for contract work was primarily due to the increase in ongoing projects as at 31 March 2017, as we generally incurred costs for projects before the progress billings for ongoing projects.

Gross amounts due from customers for contract work

Our gross amounts due from customers for contract work were primarily attributable to works completed but our Group was yet to bill the whole value of construction works performed, as we did not receive payment certificates and final accounts for the amount of certain variation order works and contract works from customers.

As at 31 March 2016 and 2017, our gross amounts due from customers for contract work were approximately HK\$11.1 million and HK\$28.6 million respectively. The increase was primarily attributable to our increase in ongoing projects as at 31 March 2017, which can be reflected from the increase of our ending value of backlog from approximately HK\$214.1 million as at 31 March 2016 to approximately HK\$320.2 million as at 31 March 2017. As payment certificate will normally be issued to us within 15 days once our customers approve our payment application, and our customers will pay us the interim

FINANCIAL INFORMATION

payment within 17 to 35 days after the issue of payment certificate, the increase in ongoing projects including Projects A015, F001, F002 and F004, led to the increase in our gross amounts due from customers for contract work accordingly.

For approximately HK\$28.6 million of our gross amounts due from customers for contract work as at 31 March 2017, approximately HK\$19.4 million had been subsequently billed and of which approximately HK\$16.5 million had been subsequently settled by the relevant customers up to the Latest Practicable Date.

For the amount of approximately HK\$9.2 million which had not yet been subsequently certified and billed up to the Latest Practicable Date, was primarily due from our Customer A, with amount of approximately HK\$6.2 million in aggregate, relating to Projects A005, A006, C003, D003 and E003. Such delay in issuance of the payment certificate or final accounts was mainly due to longer processing time involved in reviewing and certifying the completed works by our customers as a result of some variation works performed. Generally, it takes approximately six to 12 months to issue the final accounts after the date of completion. Amongst the projects mentioned above, the Project A005 takes more than 12 months for our customer to certify and issue the final accounts. It was primarily due to our customer's internal policy and procedures which required additional time to review and certify our works done. In relation to the Project A005, the amount which had not yet been subsequently certified or settled up to the Latest Practicable Date was approximately HK\$1.1 million. Our Directors confirmed that there are no material disputes or disagreements between our Group and our customer in connection with Project A005. Moreover, our Directors consider that based on their previous experience during and before the Track Record Period, it is not uncommon to take more than 12 months for Customer B and its affiliates to certify and issue the final accounts. Our Group has continuously communicated with our customer in connection with Project A005 for the status of the final account and it is still under review up to the Latest Practicable Date.

In light of the above and the fact that (i) we have on-going business relationships with our Customer B and two of its affiliates, and we have not received any notice of disagreement on our final payment applications from these customers as at the Latest Practicable Date; (ii) our customers generally take longer period to approve the variation works and final accounts as compared to the interim payments by the relevant parties; and (iii) we have received all interim payments timely on the same projects and we are not aware of any deterioration of the creditworthiness of these customers, our Directors consider that no impairment of gross amounts due from customers for contract work is necessary.

Gross amounts due to customers for contract work

As at 31 March 2016 and 2017, our gross amounts due to customers for contract work were approximately HK\$7.5 million and HK\$7.7 million respectively. As our progress billings received and receivables are made based on surveys of work performed with details of completed works and the actual quantities of our work done (for example the area of brick laying works and plastering works performed) at the end of the reporting period, our contract costs incurred are recognised as expenses with reference to the percentage of completion measured based on such surveys of work performed. On the other hand, our actual contract costs include our direct labour costs and the actual paid or payable amount

FINANCIAL INFORMATION

charged by our suppliers. Accordingly, any excess of our contract costs recognised based on the percentage of completion over our actual contract costs will be the gross amounts due to customers for contract work. Such amounts represent the portion of contract costs yet to be incurred for the completion of the contract that does not correspond with the remaining contract costs yet to be recognised as expense based on the percentage of completion method.

As the interim certifications will only reflect the work performed as certified by our customers' quantity surveyors, the excess of contract costs recognised as expense in accordance with percentage of completion over the actual contract costs incurred thereby will be accumulated throughout the project and recorded as gross amounts due to customers for contract work as liabilities (provisions) before such works are done. Our Group will utilise these provisions when the actual contract costs for such works are incurred by charging these incurred costs against amounts due to customers for contract work and recognise any excess as additional contract expense once our estimates of such costs from our suppliers and subcontractors are revised. Our customers will specify these works as being one of the components of the contract in their certifications only in the final accounts when the project is completed.

After completion of all the contract works, including but not limited to rectifying defects or imperfections in relation to our works done incurred during the post-construction stage which can last for a period of approximately six to 12 months, our Group will discuss and confirm with our customers for the final amounts of the works done by our Group. Therefore, our customers will prepare the final accounts for confirmation by our Group and our Group will make final payment applications. The remaining contract revenue and costs will then be recognised in profit or loss upon receipt of the certification of completion of all contract works. The outstanding amounts in final accounts appearing as trade receivables will then be settled based on the credit period stated in contracts.

Thus our gross amounts due to customers for contract work is formed as a result of the inevitable timing difference between a) the recognition of contract costs as expense according to the percentage of completion when revenue was recognised by reference to the percentage of completion, and b) actual contract costs which mainly represent the amount paid or payable to our direct labour and suppliers. In general, it represents as liabilities (provisions) which actual costs to be incurred before the completion of contracts. Accordingly, the balance of our gross amounts due to customers for contract work will be reduced when more actual contract costs are incurred towards the completion of the contracts. Up to the Latest Practicable Date, approximately HK\$7.5 million of our gross amounts due to customers for contract work as at 31 March 2017 have been settled.

FINANCIAL INFORMATION

Trade and other receivables

Our trade and other receivables consist of (i) trade receivables; (ii) retention receivables; and (iii) other receivables, deposits and prepayments. The following table sets forth the breakdown of trade and other receivables as at the dates indicated:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	11,587	18,944
Less: Provision for impairment of trade receivables	–	(2,665)
Trade receivables – net	11,587	16,279
Retention receivables	22,125	28,905
Other receivables, deposits and prepayments	1,995	2,890
	35,707	48,074

Trade receivables

Trade receivables primarily represent amounts receivable from our customers under our wet trades contracts. We receive progress payment from our customers pursuant to the contract. In general, we submit payment applications to our customers on a monthly basis. If the customer is satisfied with the payment application, a payment certificate will be issued to us and payment will subsequently be made.

We periodically monitor and review the credit conditions of our customers as well as the ageing of our trade receivables and all overdue trade receivables are followed up on a regular basis. In the event that evidence of impairment on trade receivables arises for instance, when a customer is experiencing significant financial difficulty or will likely enter into liquidation, we may provide allowance for the amounts that are considered not recoverable.

Our trade receivables balance net of provision for impairment was approximately HK\$11.6 million and HK\$16.3 million as at 31 March 2016 and 2017 respectively. The overall increase in our trade receivables balance was primarily due to the increase of our ongoing projects as at 31 March 2017.

As at 31 March 2017, the gross balance due from Customer C, one of our top 5 customers, was approximately HK\$4.2 million, of which approximately HK\$2.7 million was overdue more than 90 days without any repayment. Provision for impairment of trade receivables was fully provided for the balance overdue more than 90 days without any repayment during the year ended 31 March 2017, as we considered the amount as irrecoverable as at 31 March 2017, and our Group also ceased to work for Customer C since November 2016. For the remaining balance of approximately HK\$1.5 million, we have obtained a letter from Customer C for confirming the payment procedure, and up to the

FINANCIAL INFORMATION

Latest Practicable Date, approximately HK\$0.4 million of the gross balance due from Customer C as at 31 March 2017 has been settled. As subsequent payment has been received from Customer C, our Directors considered the remaining balance of approximately HK\$1.5 million as recoverable and we will continuously follow up with Customer C for settlement of unpaid balance.

The following table sets forth the ageing analysis of our trade receivables based on the date of payment certificate, as at the dates indicated:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	7,698	10,291
31-60 days	2,460	4,375
61-90 days	1,424	1,510
Over 90 days	5	103
	11,587	16,279

We generally offer credit terms to our customers ranging from 17 to 35 days following the issue of payment certificate. As at 31 March 2016 and 2017, trade receivables of approximately HK\$3.9 million and HK\$4.5 million respectively, were past due but not impaired. These overdue balances related to a number of independent customers that have a good track record with our Group. As there is no recent history of default, we believe that no provision is required accordingly. Up to the Latest Practicable Date, approximately HK\$15.5 million or 95.3% of our trade receivables balance net of provision for impairment as at 31 March 2017 have been settled.

The following table sets forth the turnover days of our trade receivables for the periods indicated:

	Year ended 31 March	
	2016	2017
	<i>days</i>	<i>days</i>
Trade receivables turnover days ⁽¹⁾	11.9	17.8

Note:

- (1) Trade receivables turnover days equal average balance of trade receivables divided by revenue for the relevant year multiplied by the number of days in the relevant year. Average balance is calculated as the sum of the beginning balance and ending balance for the relevant year divided by two.

The trade receivable turnover days were approximately 11.9 days and 17.8 days for the year ended 31 March 2016 and 2017 respectively, which is consistent with the credit period provided to our customers.

FINANCIAL INFORMATION

Retention receivables

Retention receivables represent the retention monies required by our customers to secure our Group's due performance of the contracts. Typically, the amount of retention money depends on negotiation between the parties, which generally represents 10% of the value of works certified in each progress payment and is subject to a maximum retention of approximately 5% of the total contract sum. 50% of the retention money withheld is normally released to us upon completion and the remaining 50% is released to us upon expiry of the defect liability period.

Retention receivables were approximately HK\$22.1 million and HK\$28.9 million at 31 March 2016 and 2017 respectively. The increase of the retention receivables was consistent with the increase in our revenue and trade receivables for the year ended 31 March 2017. All of our retention receivables were not yet past due as at 31 March 2016 and 2017.

Provision for impairment of retention receivables was provided with amount of approximately HK\$0.5 million and nil for the years ended 31 March 2016 and 2017 respectively. For the year ended 31 March 2016, the provision was provided as one of our customers was deregistered and we considered the amount as irrecoverable.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments primarily represent the advance to our subcontractors. The balances were approximately HK\$2.0 million and HK\$2.9 million at 31 March 2016 and 2017 respectively. The increase in our other receivables, deposits and prepayments was primarily due to the increase in ongoing projects as at 31 March 2017, which led to the increase in the advance to our subcontractors.

Amounts due from/to directors

The following table sets forth the amounts due from/to directors as of the dates indicated:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from directors		
Mr. Eric Tse	7,016	–
Mr. CK Tse	7,016	–
	<u>14,032</u>	<u>–</u>
Amounts due to directors		
Mr. Eric Tse	–	10,216
Mr. CK Tse	–	10,216
	<u>–</u>	<u>20,432</u>

FINANCIAL INFORMATION

The amounts due from/to directors are unsecured, interest-free and repayable on demand. As at 31 March 2016, we recorded amounts due from directors of approximately HK\$14.0 million while as at 31 March 2017, we recorded amounts due to directors of approximately HK\$20.4 million instead. The change was because Mr. Eric Tse and Mr. CK Tse settled the balance of approximately HK\$14.0 million and advanced an amount of approximately HK\$20.4 million to our Group during the year ended 31 March 2017. As at the Latest Practicable Date, amount of approximately HK\$20.4 million of the amounts due to directors as at 31 March 2017 has been fully settled.

Trade and other payables

Our trade and other payables consist of (i) trade payables and (ii) accruals and other payables. The following table sets forth the breakdown of trade and other payables as at the dates indicated:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	18,348	27,884
Accruals and other payables	1,624	1,264
	19,972	29,148

Trade payables

Our trade payables primarily represent amounts payable to suppliers of materials and subcontractors of our Group. As at 31 March 2016 and 2017, our trade payables were approximately HK\$18.3 million and HK\$27.9 million respectively. The increase of our trade payables was mainly due to the increase in ongoing projects as at 31 March 2017.

The following table sets forth the ageing analysis of our trade payables based on invoice dates as at the dates indicated:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	18,071	22,423
31-60 days	268	1,715
61-90 days	9	1,150
Over 90 days	–	2,596
	18,348	27,884

FINANCIAL INFORMATION

As at the Latest Practicable Date, amount of approximately HK\$23.9 million of our trade payables as at 31 March 2017 has been settled.

Our suppliers of construction materials normally grant us a credit period of not more than 30 days from the invoice date. For our subcontractors, interim payment on monthly basis is generally adopted which we obligated to pay not more than 7 days from the receipt of their payment application.

The following table sets forth the turnover days of our trade payables for the periods indicated:

	Year ended 31 March	
	2016	2017
	<i>days</i>	<i>days</i>
Trade payables turnover days ⁽¹⁾	<u>13.5</u>	<u>33.0</u>

Note:

- (1) Trade payables turnover days equal average balance of trade payables divided by direct costs for the relevant year multiplied by the number of days in the relevant year. Average balance is calculated as the sum of the beginning balance and ending balance for the relevant year divided by two.

Our trade payables turnover days was 13.5 days and 33.0 days for the year ended 31 March 2016 and 2017 respectively. The increase of the trade payables turnover days was mainly due to the increase in our trade payables balance as mentioned above.

Accruals and other payables

Accruals and other payables primarily represent accrued expenses and salaries payables to our administrative staff. As at 31 March 2016 and 2017, our accruals and other payables were approximately HK\$1.6 million and HK\$1.3 million respectively. The decrease in our trade payables was mainly due to the drop in salaries payables as we settled the major portion before 31 March 2017.

Amount due to a related company

The following table sets forth the amount due to a related company as of the dates indicated:

	As at 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Eric Tse Cement Works (The Partnership Business)	<u>36,543</u>	<u>–</u>

FINANCIAL INFORMATION

The amount due to a related company is unsecured, interest-free and repayable on demand, which represents an advance to our Group. Our Group had fully settled the balance during the year ended 31 March 2017.

Finance leases liabilities

Certain motor vehicle and machinery and equipment of our Group were under finance leases. The following table set forth our finance leases liabilities as of the dates indicated:

	As at 31 March 2016		As at 31 March 2017	
	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000
Within one year	524	561	–	–
More than one year but not more than two years	271	280	–	–
More than two years but not more than five years	<u>27</u>	<u>27</u>	<u>–</u>	<u>–</u>
	<u>822</u>	868	<u>–</u>	–
Less: total future interest expenses		<u>(46)</u>		<u>–</u>
Present value of lease obligations		<u>822</u>		<u>–</u>

Our finance lease liabilities are secured by the rights to the leased assets reverting to the lessors in the event of default and personal guarantee granted by Mr. Eric Tse and Mr. CK Tse. The interest rates of the finance lease liabilities ranged from 2.8% to 3.0% and nil per annum as at 31 March 2016 and 2017 respectively.

The decrease of our finance lease liabilities as at 31 March 2017 was because the balance was fully settled during the year ended 31 March 2017 and the personal guarantee was released accordingly.

Bank overdrafts

We primarily used our bank overdrafts to finance our working capital for our operation. As at 31 March 2016 and 2017 and 31 July 2017, our bank overdrafts were approximately nil, HK\$6.2 million and HK\$5.3 million respectively. The increase in our bank overdrafts as at 31 March 2017 compared to 31 March 2016 was because we obtained the balance as our working capital purpose during the last quarter of our financial year ended 31 March 2017. The decrease in our bank overdrafts as at 31 July 2017 compared to 31 March 2017 was

FINANCIAL INFORMATION

because we subsequently settled a portion of our bank overdrafts after the year ended 31 March 2017. The interest rate of our bank overdrafts is charged at 0.5% per annum over prime rate during the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017.

During the Track Record Period and the four months ended 31 July 2017, our bank facilities were secured by certain car parking spaces and properties granted by Mr. Eric Tse, Ms. Or So Lan (Mr. Eric Tse's spouse), Mr. CK Tse and Ms. Yapp Ngi Yang (Mr. CK Tse's spouse) and personal guarantees granted by Mr. Eric Tse and Mr. CK Tse. The bank has principally agreed that the above collaterals and personal guarantees will be released and replaced by guarantees from our Company upon Listing. Our Directors confirm that our banking facilities were not subject to material covenants.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our Group had met its liquidity requirements principally through a combination of internal resources, bank overdrafts, finance leases and amounts due to directors and a related company during the Track Record Period. Following the completion of the Share Offer, our Group expects its capital expenditure and working capital requirement to be funded principally through internal resources, bank borrowings, finance leases and the net proceeds from the Share Offer. Our Directors believe that in the long term, our Group's operations will be funded by internal resources and, if necessary, additional equity financing or bank borrowings.

The following table sets forth our cash flows for the Track Record Period:

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	18,111	(7,836)
Net cash (used in)/generated from investing activities	(14,037)	12,844
Net cash generated from/(used in) financing activities	<u>17,297</u>	<u>(7,267)</u>
Net increase/(decrease) in cash and cash equivalents	21,371	(2,259)
Cash and cash equivalents at beginning of the year	<u>4,031</u>	<u>25,402</u>
Cash and cash equivalents at end of the year	<u><u>25,402</u></u>	<u><u>23,143</u></u>

Net cash generated from/(used in) operating activities

We derived our cash flow from operating activities primarily through receipt of payments for our wet trades works provided. Cash outflow to operating activities primarily comprises payment for purchases of materials and tools, staff costs and subcontracting

FINANCIAL INFORMATION

charges. Our net cash from operating activities reflects our profit before taxation, as adjusted for non-cash such as depreciation and provision for impairment of trade receivables and retention receivables, and the effects of changes in working capital items.

For the year ended 31 March 2017, we had net cash used in operating activities of approximately HK\$7.8 million. This amount represents the operating profit before changes in working capital of approximately HK\$19.5 million, adjusted for net working capital outflow of approximately HK\$23.2 million and net taxation paid of approximately HK\$4.2 million. The net working capital outflow was primarily attributable to (i) the increase in our gross amounts due from customers for contract work of approximately HK\$17.5 million; (ii) increase in our trade and other receivables of approximately HK\$15.0 million, and (iii) partially offset by the increase in our trade and other payables of approximately HK\$9.2 million.

For the year ended 31 March 2016, we had net cash generated from operating activities of approximately HK\$18.1 million. This amount represents the operating profit before changes in working capital of approximately HK\$16.0 million, adjusted for net working capital inflow of approximately HK\$2.1 million. The net working capital inflow was primarily attributable to (i) the increase in our trade and other payables of approximately HK\$20.0 million; partially offset by (ii) the increase in our trade and other receivables of approximately HK\$14.6 million and (iii) the increase in our gross amounts due from customers for contract work of approximately HK\$2.9 million.

Net cash (used in)/generated from investing activities

Our cash flow from investing activities primarily comprises decrease in amounts due from directors. Our cash outflow to investing activities primarily comprises increase in amounts due from directors and purchases of plant and equipment.

For the year ended 31 March 2017, we had net cash generated from investing activities of approximately HK\$12.8 million. This amount primarily represents (i) the decrease in amounts due from directors of approximately HK\$14.0 million and partially offset by (ii) the purchases of plant and equipment of approximately HK\$1.2 million.

For the year ended 31 March 2016, we had net cash used in investing activities of approximately HK\$14.0 million. This amount primarily represents the increase in amounts due from directors of approximately HK\$14.0 million.

Net cash generated from/ (used in) financing activities

Our cash flow from financing activities primarily comprises increase in amounts due to directors and increase in amount due to a related company. Our cash outflow to financing activities primarily comprises decrease in amounts due to directors, decrease in amount due to a related company and repayments of finance leases liabilities.

FINANCIAL INFORMATION

For the year ended 31 March 2017, we had net cash used in financing activities of approximately HK\$7.3 million. This amount primarily represents (i) the decrease in our amount due to a related company of approximately HK\$36.5 million; (ii) the repayments of finance leases liabilities of approximately HK\$1.0 million, and partially offset by (iii) the increase in amounts due to directors of approximately HK\$30.4 million.

For the year ended 31 March 2016, we had net cash generated from financing activities of approximately HK\$17.3 million. This amount primarily represents (i) the increase in our amount due to a related company of approximately HK\$22.4 million; and partially offset by (ii) the decrease in amounts due to directors of approximately HK\$4.5 million and (iii) the repayments of finance leases liabilities of approximately HK\$0.6 million.

NET CURRENT ASSETS

	As at 31 March		As at
	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)
Current assets			
Gross amounts due from customers for			
contract work	11,140	28,608	21,428
Trade and other receivables	35,707	48,074	62,303
Amounts due from directors	14,032	–	–
Cash and bank balances	25,402	29,389	2,641
Restricted cash	–	80	480
	86,281	106,151	86,852
Current liabilities			
Gross amounts due to customers for			
contract work	7,540	7,733	7,166
Trade and other payables	19,972	29,148	29,416
Amount due to a related company	36,543	–	–
Amounts due to directors	–	20,432	946
Finance lease liabilities	524	–	–
Bank overdrafts	–	6,246	5,340
Current income tax liabilities	3,587	3,171	3,168
	68,166	66,730	46,036
Net current assets	18,115	39,421	40,816

As at 31 March 2016 and 2017 and 31 July 2017, our Group recorded net current assets which amounted to approximately HK\$18.1 million, HK\$39.4 million and HK\$40.8 million respectively. The increase in our net current assets as at 31 March 2017 compared to

FINANCIAL INFORMATION

31 March 2016 was primarily due to our net profit for the year ended 31 March 2017 of approximately HK\$12.6 million and the issuance of shares of Eric Tse Cement Works which amounted approximately HK\$10.0 million.

During the year ended 31 March 2017, a subsidiary of our Group, Eric Tse Cement Works issued and allotted 9,999,998 shares at a consideration of HK\$1.0 per share, of which 4,999,999 shares were issued and allotted to Mr. Eric Tse and 4,999,999 shares were issued and allotted to Mr. CK Tse. These shares were issued and allotted at an aggregate consideration of HK\$9,999,998 which was settled by capitalisation of the same amount due to Mr. Eric Tse and Mr. CK Tse.

Our net current assets remained relatively stable and slightly increased from approximately HK\$39.4 million as at 31 March 2017 to approximately HK\$40.8 million as at 31 July 2017, being the latest practicable date for ascertaining our net current assets position. Subsequent to the year ended 31 March 2017, we settled a portion of our amounts due to directors and bank overdrafts with our internal generated fund. Our amounts due to directors decreased from approximately HK\$20.4 million as at 31 March 2017 to approximately HK\$0.9 million as at 31 July 2017 while our bank overdrafts decreased from approximately HK\$6.2 million as at 31 March 2017 to approximately HK\$5.3 million as at 31 July 2017.

CAPITAL EXPENDITURE

Our capital expenditure primarily comprised of purchase of plant and equipment, such as machinery for providing wet trades works. Our capital expenditure was funded by our internal resources and finance leases during the Track Record Period. The following sets forth our Group's capital expenditure for the periods indicated:

	Year ended 31 March	
	2016	2017
	HK\$'000	HK\$'000
Plant and equipment	<u>602</u>	<u>1,345</u>

CAPITAL COMMITMENTS

During the Track Record Period and as at 31 July 2017, we did not have any material capital commitments.

OPERATING LEASE COMMITMENTS

Our Group leases office and warehouse with initial lease period of approximately 2 years, with an option to renew the leases when all terms are renegotiated. The following table sets forth our total future minimum lease payments under non-cancellable operating leases as at the dates indicated:

FINANCIAL INFORMATION

	As at 31 March		As at
	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Within one year	–	681	646
In the second to fifth years inclusive	–	379	187
	<u>–</u>	<u>1,060</u>	<u>833</u>

INDEBTEDNESS

The following set forth our Group's indebtedness as at the dates indicated:

	As at 31 March		As at
	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Current liabilities			
Amount due to a related company	36,543	–	–
Amounts due to directors	–	20,432	946
Finance lease liabilities	524	–	–
Bank overdrafts	–	6,246	5,340
	<u>37,067</u>	<u>26,678</u>	<u>6,286</u>
Non-current liabilities			
Finance lease liabilities	298	–	–
	<u>37,365</u>	<u>26,678</u>	<u>6,286</u>

Our total indebtedness decreased from approximately HK\$37.4 million as at 31 March 2016 to approximately HK\$26.7 million as at 31 March 2017. The decrease was primarily due to (i) the settlement of amount due to a related company, and partially offset by (ii) the increase in amount due to directors and (iii) the increase in bank overdrafts.

Our total indebtedness decreased from approximately HK\$26.7 million as at 31 March 2017 to approximately HK\$6.3 million as at 31 July 2017, being the latest practicable date for the purpose of this statement of indebtedness. The decrease was primarily due to the settlement of amounts due to directors and bank overdrafts with our internal generated fund. The remaining balance of the amounts due to directors will be subsequently settled in full upon Listing.

For details of the items of our indebtedness items, please refer to the paragraph headed “Discussion of Selected Combined Statements of Financial Position Items” in this section.

FINANCIAL INFORMATION

As at the Latest Practicable Date, our Group was in process of applying for a new banking facility to increase the maximum amount of bank over drafts available for our Group. The expected total amount of the new banking facility will be approximately HK\$23.0 million.

Save for the aforesaid or otherwise disclosed herein, our Group did not have, at the close of business on 31 July 2017, any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including overdrafts, liabilities under acceptance, acceptance credit, debentures, charges, mortgages, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities. Our Directors also confirmed that we did not have any further plan for material debt financing as the Latest Practicable Date. Since 31 July 2017 and up to the Latest Practicable Date, there has been no material adverse change in our indebtedness.

Save for the aforesaid or otherwise disclosed herein, our Directors confirmed we had not materially defaulted in payments of trade and nontrade payables and borrowings, and/ or breaches of finance covenants during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

During the Track Record Period and as at 31 July 2017, we did not have any material contingent liabilities.

WORKING CAPITAL

As at 31 March 2016 and 2017, our cash and cash equivalents were approximately HK\$25.4 million and HK\$23.1 million respectively. Our unutilised bank facilities were approximately HK\$12.0 million, HK\$13.8 million and HK\$14.7 million respectively as at 31 March 2016 and 2017 and 31 July 2017.

Taking into account the financial resources available to our Group, including internally generated funds, cash and cash equivalents, the expected net proceeds of the Share Offer, and in the absence of unforeseen circumstances, our Directors are of the view, and the Sole Sponsor concurs that our Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this prospectus.

DISCLOSURE ABOUT MARKET RISKS

Our Group is exposed to a variety of financial risks which comprise cash flow and fair value interest rate risk, credit risk and liquidity risk. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance. For further details, please refer to Note 3 to the Accountants' Report.

FINANCIAL INFORMATION

Notes:

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective year multiplied by 100%.
2. The net profit margin is calculated by dividing the net profit by the revenue for the respective year multiplied by 100%.
3. Return on equity equals the net profit divided by the total equity as at the end of the respective periods multiplied by 100%.
4. Return on assets is calculated by the net profit divided by the total assets as at the end of the respective periods multiplied by 100%.
5. The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective periods.
6. Interest coverage is calculated by the profit from operations divided by finance costs for the respective year.
7. The gearing ratio is calculated by dividing total obligations under finance leases and total bank borrowings with total equity as at the end of respective periods multiplied by 100%.

Please refer to the paragraph headed “Review of Historical Results of Operations” in this section for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

Return on equity

Our return on equity decreased from 64.7% for the year ended 31 March 2016 to 30.2% for the year ended 31 March 2017. The decrease was mainly due to the increase in our total equity after the issuance of shares of Eric Tse Cement Works with amount of approximately HK\$10.0 million.

Return on total assets

Our return on total assets decreased from 14.1% for the year ended 31 March 2016 to 11.6% for the year ended 31 March 2017. The decrease was mainly due to the increase in our total assets as our trade and other receivables and gross amounts due from customers for contract work increased.

Current ratio and quick ratio

Our current ratio increased from 1.3 as at 31 March 2016 to 1.6 as at 31 March 2017. The increase was primarily due to the increase in our gross amounts due from customers for contract work and trade and other receivables, while the amount due to a related company was fully settled. Our quick ratio was same as current ratio given we had no inventory during the Track Record Period.

FINANCIAL INFORMATION

Interest coverage

Our interest coverage decreased from 238.6 for the year ended 31 March 2016 to 91.5 for the year ended 31 March 2017. The decrease was primarily due to the increase in our finance costs as we utilised bank overdrafts for our working capital use from the last quarter of our financial year ended 31 March 2017.

Gearing ratio

Our Gearing ratio increased from 4.3% as at 31 March 2016 to 15.0% as at 31 March 2017. The increase was primarily due to the increase in our bank overdrafts which we obtained for our working capital use from the last quarter of our financial year ended 31 March 2017.

RELATED PARTY TRANSACTIONS

Our Directors confirm that all transactions with related parties described in Note 29 of the Accountants' Report were conducted on normal commercial terms and/or on terms not less favourable than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

Please refer to the Note 29 to the Accountants' Report in Appendix I to this prospectus for further details of the related party transactions.

OFF-BALANCE-SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance-sheet commitments or arrangements.

FINANCIAL INSTRUMENT

Our Group have not entered into any financial instruments for hedging purposes during the Track Record Period and as at the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for further details.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 12 April 2017 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at 31 March 2017.

FINANCIAL INFORMATION

DIVIDEND

For the years ended 31 March 2016 and 2017, we did not declare or distribute dividend to our then Shareholders.

The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

After completion of the Share Offer, while we currently have no plan to pay any dividend to the Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. We will re-evaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

LISTING EXPENSES

Assuming the Offer Size Adjustment Option is not exercised and assuming the Offer price of HK\$0.46 per Offer Share, being the mid-point of the indicative Offer Price, the total expenses for Listing are estimated to be approximately HK\$29.0 million, of which approximately HK\$5.1 million was recognised as listing expenses in our combined statements of profit or loss for the year ended 31 March 2017. We expect to incur additional listing expenses of approximately HK\$13.6 million which will be recognised as listing expenses for the year ending 31 March 2018. The balance of approximately HK\$10.3 million is expected to be recognised as a deduction in equity upon Listing.

In view of the above, our Directors are of the view that the one-off listing expenses, which are non-recurring in nature, will have a material adverse effect on the financial results of our Group for the interim period of the six months ending 30 September 2017 and the year ending 31 March 2018. We wish to emphasise that the aforesaid amount of listing expenses is a current estimate for reference only and the final amount to be recognised in our combined statements of profit or loss for the year ending 31 March 2018 will be subject to adjustments based on audit and changes in variables and assumptions.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking wet trades works in Hong Kong. As at the date of this prospectus, we had 26 projects on hand (including contracts in progress as well as contracts awarded to us but not yet commenced). Please refer to the section headed "Business – Our Projects – Our project backlog – Projects on hand" in this prospectus for further details. As at the date of this prospectus, all existing projects have

FINANCIAL INFORMATION

continued to contribute revenue to our Group and none of them have had any material interruption. We expect to recognise revenue of approximately HK\$286.9 million and HK\$235.0 million for the two years ending 31 March 2019 based only on our contracts on hand. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Based on the budget costs of each project, our Directors expect that our overall gross profit margin for the year ending 31 March 2018 to be at similar levels to that recorded during the Track Record Period. Accordingly, our Directors currently expect an increase in our revenue and gross profit for the year ending 31 March 2018.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have been awarded with nine additional contracts with an aggregate contract sum of approximately HK\$238.0 million. Our Directors consider that our Group is well-positioned to take on new wet trades projects and believe that the expected increase in construction of buildings, the Government's support to increase land and housing supply, the Government's support on urban renewal and urbanisation in the northeastern part of the New Territories would boost the demand of our services and favour the growth of our Group.

As far as our Directors are aware, there has been no other changes in the general economic or market conditions or in the construction market in Hong Kong as a whole, which would have a material and adverse impact on our business operations or financial condition since 31 March 2017 and up to the Latest Practicable Date.

MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed "Listing Expenses" in this section of this prospectus, our Directors confirmed that since 31 March 2017 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

As at the Latest Practicable Date, our Directors confirm that they were not aware of any no circumstances that would give rise to a disclosure requirement under Rule 17.15 to 17.21 of the GEM Listing Rules.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business” in this prospectus for our Group’s business objectives and strategies.

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material change in the funding requirement for each of our Group’s future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no change in the effectiveness of the licences, permits and qualifications obtained by our Group;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under the section headed “Risk factors” in this prospectus.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer, assuming the Offer Size Adjustment Option is not exercised and assuming an Offer Price of HK\$0.46 per Share (being the mid-point of the indicative Offer Price range of HK\$0.43 to HK\$0.49), will be approximately HK\$40.0 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$19.7 million, representing approximately 49.3% of the net proceeds, will be earmarked to take out surety bonds issued by banks or authorised insurers in the amount of certain percentage of the contract sum in favour of our customers for contracts that we plan to tender for the years ending 31 March 2020. According to the Frost & Sullivan Report, it is not uncommon

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

that wet trades subcontractors may be required to arrange with banks or insurance companies to provide surety bonds in the amount of certain percentage (usually 10% to 20%) of the contract sum to their customers to ensure contractor's due performance and observance of a subcontract. The surety bond requirement may result in the lock-up of a portion of our capital during the term of the surety bond and thereby affecting our liquidity position. For the two years ended 31 March 2016 and 2017 and the period between 1 April 2017 and the Latest Practicable Date, 23%, 21% and 20% of tender invitations involved surety bond requirements and for most of these tender invitations, we had either declined the invitations or submitted a less competitive tender price by factoring a higher profit margin in costs estimation to maintain our presence in the market, given that we did not have sufficient financial resources to meet these surety bond requirements. Historically, we were more inclined to take on projects without surety bond requirements as we capitalise on our mutual trust and stable business relationship with our major customers. During the Track Record Period and up to the Latest Practicable Date, based on the financial resources available to our Group at that time, we, as a subcontractor, only managed to undertake five wet trades projects which involved surety bonds and the bond amounts required in those projects amounted to approximately HK\$1.9 million. Hence, the number of projects we are able to take on could be limited by our availability of financial resources for taking out surety bonds.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Our Directors consider that if we are to expand our customer base (including other reputable main contractors) and our market share and undertake more wet trades projects (including projects of larger scale), we must continue to enhance our available financial resources and strengthen our liquidity position to satisfy the surety bond requirement for projects that may potentially be awarded to us. In this connection, we will finance our surety bond requirements from the proceeds of the Share Offer for the following wet trades projects as our major targets we plan to tender for the two years ending 31 March 2020:

Project	Estimated date of submission of tender <i>(Note)</i>	Estimated date of surety bonds to be taken out <i>(Note)</i>	Nature of project	Estimated contract sum <i>HK\$'000</i>	Amount of surety bonds <i>HK\$'000</i>
Project A	January 2018	March 2018	Private Residential development	40,000	4,000
Project B	December 2017	February 2018	Community facility development	30,000	3,000
Project C	April 2018	Jun 2018	Private Residential development	6,000	600
Project D	April 2018	June 2018	Private Residential development	15,000	1,500
Project E	May 2018	July 2018	Private Residential development	26,000	2,600
Project F	May 2018	July 2018	Private Residential development	3,000	300
Project G	October 2018	December 2018	Private Residential development	50,000	5,000
Project H	April 2019	June 2019	Private Residential development	27,400	2,740

Note: The estimated date of submission of tender and the estimated date of surety bonds to be taken out are provided based on our management's best estimation having made reasonable enquiries with potential customers and such dates may be changed by potential customers, subject to the tendering schedule, tendering results and customers' requirements.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Please refer to the paragraph headed “Implementation Plans” of this section for further detail of the use of proceeds for taking out surety bonds as described above. Having considered our Group’s stable relationship with the main contractors of these potential projects, our track record of delivery quality wet trade services based on our past projects with those main contractors, our capability to offer comprehensive wet trades works solutions and our strong project management capability, our Directors are confident about the likelihood and outcome of these tenders. Furthermore, to the best of our Directors’ knowledge, for the three years ending 31 March 2020, in addition to the eight targeted potential projects described above, it is expected that there are 14 other potential wet trade projects with an aggregate notional contract sum of approximately HK\$635 million which may also require wet trade subcontractors to arrange for surety bonds. If we do not secure any of the eight targeted potential projects, subject to our capacity and resources level at the relevant time, cost effectiveness, complexity of the projects and the profitability of the project, it is our strategy to tender for any of these alternative wet trade projects and utilise the unused net proceeds to finance the surety bond requirement. That said, there is no assurance that our Group will succeed in these tenders as stated in the section headed “Risk Factors – Risk relating to our business – Our revenue is mainly derived from projects which are non-recurrent in nature and any failure of our Group to secure tender contracts would affect our operations and financial results” of this prospectus.

As disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had undertaken 5 wet trades projects which we, as a subcontractor, provided surety bonds of approximately HK\$1.9 million to our customers, in view of the financial resources available to our Group at that time. Going forward, notwithstanding that we plan to take out the surety bonds in the total amount of HK\$19.7 million for the projects for which we plan to tender as described above, we consider that there is no change in our Group’s project focus because:

- (a) the nature of projects requiring surety bonds are all related to wet trades works in which our Group has undertaken for over 35 years;
- (b) according to the Frost & Sullivan Report, it is not uncommon for main contractors to require wet trades subcontractors to take out surety bonds; and
- (c) as disclosed above, for the two years ended 31 March 2016 and 2017 and the period between 1 April 2017 and the Latest Practicable Date, 23%, 21% and 20% of tender invitations involved surety bond requirements and for most of these tender invitations, we had either declined the invitations or submitted a less competitive tender price by factoring a higher profit margin in costs estimation to maintain our presence in the market, given that we did not have sufficient financial resources to meet these surety bond requirements at that time. It was our strategy to factor a higher profit margin for those tenders involving surety bond requirements given that provision of surety bonds would result in lock-up of capital and sufficient capital is required for our Group. Otherwise, it could negatively impact our cash flow position.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- approximately HK\$7.7 million, representing approximately 19.2% of the net proceeds, will be used for expansion of our workforce to ensure we have sufficient manpower for our newly awarded wet trades projects and projects for which we plan to tender (including projects that require surety bonds) for the years ending 31 March 2019:

Position	Number of staff to be employed			<i>Total number of staff to be employed</i>
	For the year ending 31 March 2018	For the six months ending 30 September 2018	For the six months ending 31 March 2019	
	<i>Newly awarded projects/ office staff</i>	<i>Projects to be tendered by us</i>	<i>Projects to be tendered by us</i>	
Site agent	1	1	1	3
Assistant site agent	1	1	2	4
Assistant quantity surveyor	1	–	1	2
Safety officer	1	–	1	2
Accountant (office staff)	1	–	–	1
Total:	<u>5</u>	<u>2</u>	<u>5</u>	<u>12</u>

The following table sets out the qualification and years of experience required for the above positions we intend to recruit:–

Position	Qualifications	Years of experience
Site agent	<ul style="list-style-type: none"> – Holder of an intermediate trade test certificate issued by Construction Industry Council (“CIC”) or former Construction Industry Training Association (“CITA”) or Vocational Training Council (“VTC”), or equivalent with Safety Supervisor Certificate – Holder of Mandatory Basic Safety Training Course for Construction Industry 	10 years or above

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Position	Qualifications	Years of experience
Assistant site agent	<ul style="list-style-type: none"> – Holder of an intermediate trade test certificate or a trade test certificate issued by CIC or former CITA or VTC or equivalent with Safety Supervisor Certificate – Holder of Mandatory Basic Safety Training Course for Construction Industry 	3 years or above
Assistant quantity surveyor	<ul style="list-style-type: none"> – Degree / Higher Diploma in Quantity Surveying / Construction Management or equivalent – Mandatory Basic Safety Training Course for Construction Industry 	1 year or above 2 years or above
Safety officer	<ul style="list-style-type: none"> – Holder of Safety Supervisor Certificate – Holder of First Aid Certificate – Holder of Mandatory Basic Safety Training Course for Construction Industry 	
Accountant (office staff)	<ul style="list-style-type: none"> – Degree in accountancy – HKICPA Member/Student Member or equivalent 	3 years or above

We consider that it is imperative to expand our workforce given that:

- (a) we need to strengthen our manpower resources in view of the growth drivers and business opportunities in the wet trades industry in Hong Kong. According to the Frost & Sullivan Report, it is estimated that the revenue of the wet trades industry in Hong Kong will grow from approximately HK\$9.57 billion in 2016 to approximately HK\$14.60 billion in 2021, at a CAGR of approximately 7.6%. The expected increase in construction of buildings, the Government's support to increase land and housing supply, the Government policy on urban renewal and urbanisation in the northeastern part of the New Territories further will boost building construction activities;
- (b) our Group has received over 50 tender invitations for wet trades projects subsequent to the Track Record Period and up to the Latest Practicable Date. These business opportunities further fuel our Group's momentum to expand our business since the first quarter of 2017. As a result, it is our strategy to tender for seven wet trades projects for the years ended 31 March 2020 as described above and therefore we need to enhance our manpower to cater for our project needs;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- (c) we have been awarded a large-scale wet trades project with a contract sum of approximately HK\$215 million in relation to a residential development project in Tseung Kwan O on 10 August 2017 which is scheduled to commence in September 2017. As such, we need sufficient manpower resources to meet our operational need for this sizeable wet trades project;
- (d) in tendering for new projects, availability of manpower resources is among the key assessment criteria. To increase our tender success rate for the projects to be tendered, it is necessary for us to enhance our competitiveness by expanding our workforce for the projects for which we plan to tender.
- approximately HK\$7.5 million, representing approximately 18.7% of the net proceeds, will be used for the acquisition of additional forklifts, plaster spraying machines and related parts for our projects. We consider that it is essential to enhance our machinery fleet by purchasing additional forklifts and plaster spraying machines having considered our demand for forklifts and plaster spraying machines for the contracts that we plan to tender for the year ending 31 March 2018. We plan to purchase 14 forklifts, 24 plaster spraying machines and 1,800 sets of parts for plaster spraying machines. Each forklift, plaster spraying machine and set of parts for plaster spraying machine costs approximately HK\$200,000, HK\$120,000 and HK\$1,000, respectively. The following table sets out a breakdown on the number of machinery and equipment to be purchased for the years ending 31 March 2020 involving the use of proceeds from the Share Offer:

	Number of machinery and equipment to be purchased						<i>Total of number of machinery and equipment (Note 2)</i>
	For the year ending 31 March 2018		For the year ending 31 March 2019		For the year ending 31 March 2020		
Type of machinery and equipment	<i>Projects to be tendered by us</i>	<i>Overall project need (Note 1)</i>	<i>Projects to be tendered by us</i>	<i>Overall project need (Note 1)</i>	<i>Projects to be tendered by us</i>	<i>Overall project need (Note 1)</i>	
Forklift	1	2	6	–	5	–	14
Plaster spraying machine	2	4	12	–	6	–	24
Parts	150	500	200	700	50	200	1,800

Note:

- These machinery and equipment are not reserved specifically for our future projects but may be used for different projects, subject to our project needs, works schedule and customers' requirements.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

2. Subject to our customers' requirements, construction schedule of our newly awarded projects and the tender results for the prospective projects for which we plan to tender, our Directors estimate that the 14 forklifts and 24 plaster spraying machines to be acquired by us will be put to use specifically for not less than seven projects (including our newly awarded projects and prospective projects for which we plan to tender) and also for overall project need. Details of our proposed use of the machinery and equipment are set out below:

Project No.	Nature of the project	For the year ending 31 March					
		2018		2019		2020	
		No. of forklift to be acquired for the project	No. of plaster spraying machine to be acquired for the project	No. of forklift to be acquired for the project	No. of plaster spraying machine to be acquired for the project	No. of forklift to be acquired for the project	No. of plaster spraying machine to be acquired for the project
A023	a newly awarded project with contract sum of approximately HK\$215 million relating to a residential development project in Tseung Kwan O	2	4				
Project B	a project with an estimated contract sum of HK\$30 million relating to community facility development for which we plan to tender	1	2				
Project C	a project with an estimated contract sum of HK\$6.0 million relating to a private residential development project for which we plan to tender			1	1		
Project D	a project with an estimated contract sum of HK\$15 million relating to a private residential development project for which we plan to tender			1	3		
Project E	a project with an estimated contract sum of HK\$26 million relating to a private residential development project for which we plan to tender			2	3		
Project F	a project with an estimated contract sum of HK\$3.0 million relating to a private residential development project for which we plan to tender			1	1		

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Project No.	Nature of the project	For the year ending 31 March					
		2018		2019		2020	
		No. of forklift to be acquired for the project	No. of plaster spraying machine to be acquired for the project	No. of forklift to be acquired for the project	No. of plaster spraying machine to be acquired for the project	No. of forklift to be acquired for the project	No. of plaster spraying machine to be acquired for the project
Project G	a project with an estimated contract sum of HK\$50 million relating to a private residential development project for which we plan to tender			1	4	2	2
Project H	a project with an estimated contract sum of HK\$27.4 million relating to a private residential development project for which we plan to tender					3	4
Total		3	6	6	12	5	6

During the Track Record Period, although we only spent HK\$1.8 million on machinery and equipment and the majority of our machinery and equipment only aged less than three years, we consider that it is imperative to purchase more machinery and equipment as described above because:

- (a) our demand for machinery is projected to increase in order to cater for contracts that we will submit the tender for the year ending 31 March 2020, details of which are set out in the table above. In determining the number of machinery and parts to be purchased, we have considered the following factors:
- the number of machinery and equipment on hand
 - the number of ongoing projects
 - the estimated new projects to be tendered by us for the years ending 31 March 2020
 - the operational scale and complexity of the new projects
 - the duration of the projects involved
 - estimated useful life of machinery and equipment
 - the number of spare machinery and equipment to be reserved on stand-by mode to prepare for contingency in the course of our business operations (e.g. machinery breakdown) to ensure our wet trades works remain uninterrupted

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- the feasibility and/or cost-effectiveness to rent or borrow machinery from third party service provider or main contractors

During the Track Record Period, the number of forklifts used per month (both owned, rented or borrowed) ranged from 20 to 34 whereas the number of plaster spraying machine used per month (both owned, rented or borrowed) ranged from 5 to 32. Our demand for forklifts and plaster spraying machines would vary, depending on the number of projects we were undertaking at the relevant time, the operational scale and complexity of the projects involved, the project schedule, the project progress, the duration of the projects and the customers' requirement. Our Directors consider the duration, operational scale and complexity of the new projects we plan to tender are comparable to the projects undertaken by our Group during the Track Record Period, except that we have been awarded a large-scale wet trades project with a contract sum of appropriately HK\$215 million in relation to a residential development project in Tseung Kwan O on 10 August 2017 which is scheduled to commence in September 2017 and with contract period of approximately 18 months. Our Directors consider that when compared to the projects undertaken by our Group during the Track Record Period and the new projects we plan to tender, the operational scale of this project is expected to be larger with higher degree of complexity while the duration of this project is within the general range of the duration of our projects which is 6 to 24 months. As such, we would need more forklifts and plaster spraying machines of good quality to meet our operational need for this sizeable wet trades project. As at the Latest Practicable Date, our Group owned 14 forklifts and 11 plaster spraying machines. Based on our management's experience, it requires approximately two forklifts and three plaster spraying machines per project per month on average. Thus, our Group expects that 14 forklifts and 24 plaster spraying machines will be put to use for not less than eight projects as described above, subject to our project needs, works schedule and customers' requirements at the relevant time. Besides, the operation of plaster spraying machines requires parts which are consumable in nature. Based on our management's experience, operating a plaster spraying machine typically involves approximately 3 parts or above per month (for example pump screw (rotor) and pump yoke). Therefore, to cater for the operation of 24 plaster spraying machines to be purchased, we plan to purchase approximately 1,800 parts for consumption within two years. Taking into account the factors described above, our Directors consider that the number of machinery and equipment to be purchased for our business expansion is reasonable having considered the number of machinery and equipment usage during the Track Record Period;

- (b) the "designated workers for designated skills" provision of the Construction Workers Registration Ordinance came into effect on 1 April 2017 pursuant to which construction workers are generally forbidden from undertaking, among other things, certain wet trades works (e.g. plastering works) unless they are registered skilled workers or registered semi-skilled workers for the relevant

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

trade division or under the instruction and supervision of the relevant registered skilled workers or registered semi-skilled workers under the Construction Workers Registration Ordinance. Please refer to the section headed “Regulatory Overview – A. Laws and Regulations in relation to Construction Labour, Health and Safety – Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)” in this prospectus for further details. According to the Frost & Sullivan Report, due to labour shortage in the construction industry in Hong Kong which has pushed up wages, it is expected that construction companies will increasingly use machinery to replace labour so as to lower labour costs. Furthermore, the role of registered skilled workers and registered semi-skilled workers is expected to be more significant than before with the promulgation of the “designated workers for designated skills” provision of the Construction Workers Registration Ordinance. This will prompt wet trades subcontractors (like our Group) to enhance the use of machinery (e.g. plaster spraying machines) to make our wet trades works less labour-intensive in the long run;

- (c) the acquisition of machinery and equipment is expected to reduce our reliance on labour for our plastering works and on-site logistic works and hence reduce our overall subcontracting charges. For instance, based on our management’s experience, the use of forklift will require fewer general site workers for our on-site logistic works of moving and stacking material and this enables our Group to reduce monthly subcontracting charges by approximately HK\$1,700 per unit of forklift we own. Furthermore, the use of plaster spraying machines will displace manual operations of our plastering works by registered skilled workers and semi-skilled workers and it enables our Group to reduce monthly subcontracting charges by approximately HK\$1,700 per unit of plaster spraying machine we own;
- (d) we consider that it is not commercially feasible to rely on machinery rental to cater for our business growth. During the Track Record Period, we rented machinery and equipment including aerial scissor platforms, track-mounted cranes and forklifts from independent third parties. For the two years ended 31 March 2017, our machinery and equipment rental cost incurred amounted to HK\$0.6 million and HK0.2 million, respectively. However, there is no guarantee that our Group can lease such machinery of good quality on commercially acceptable terms. With the possession of our own machinery and equipment, we do not have to rely completely on our suppliers for machinery and equipment rental services. Our Directors also consider that having our own machinery and equipment allows us to devise suitable works schedules tailored to the different needs and requirements of different customers and enables us to efficiently and effectively schedule our projects and deploy our manpower.

Our Directors consider that it is in the interest of our Group to purchase rather than lease those machinery and equipment that we intended to acquire using the net proceeds from the Share Offer. A comparison of the monthly rental cost saved (which can be referenced to the current quotation obtained

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

from third parties) and the additional monthly expenses of acquisition (including depreciation charges based on straight-line method with 4 years of estimated useful lives and relevant estimated maintenance and insurance cost) for forklift and plaster spraying machine is set out below:

Type of machinery	Approximate monthly rental cost	Approximate monthly acquisition cost
Forklift	HK\$8,150	HK\$6,309
Plaster spraying machine	HK\$8,500	HK\$5,943

Based on the above comparison, the approximate monthly rental cost is greater than the approximate monthly acquisition cost of the relevant machinery. Hence, it is more economical for our Group to purchase rather than rent the relevant machinery in order to save costs.

In addition to costs saving, our Group also needs to incur additional time in seeking suitable machinery of acceptable quality, and there is no guarantee that our Group can obtain the most suitable machinery in performing our wet trades works. By purchasing additional machinery, our Group is allowed to allocate the most suitable machinery among different projects, which enhance the flexibility in deploying our operational resources and efficiency of our wet trades works and thus improve the profitability of our Group; and

- (e) in tendering for new projects, availability of machinery is among the key assessment criteria. To increase our tender success rate for the projects to be tendered, it is necessary for us to enhance our competitiveness by establishing a stronger fleet of machinery for the wet trades projects for which we plan to tender.
- approximately HK\$3.1 million, representing approximately 7.9% of the net proceeds, will be used to repay the bank overdraft facility bearing interest at 0.5% over the bank's prime rate per annum (effective interest rate of 5.75% per annum). The utilised overdraft facility has no maturity date and is repayable on demand. The loan drawn from the overdraft facility was used for our Group's general working capital; and
 - approximately HK\$2.0 million, representing approximately 5.0% of the net proceeds, will be used as general working capital of our Group.

IMPLEMENTATION PLANS

Our Group's implementation plans are set forth below for each of the six-month periods until 31 March 2020. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed "Bases and assumptions" above. These bases and assumptions are

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk factors” in this prospectus. Our Group’s actual course of business may vary from the business objective set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objective of our Group will be accomplished at all. Our Directors intend to carry out the following implementation plans to achieve our Group’s business objectives:

From the Latest Practicable Date to 31 March 2018

Business Strategy	Implementation activities	Source of funding
Expanding our market share and competing for more wet trades projects which require the issue of surety bonds	<ul style="list-style-type: none">● Take out surety bonds for two contracts we plan to tender for the year ending 31 March 2018	Listing proceeds of approximately HK\$7.0 million
Further strengthening our manpower	<ul style="list-style-type: none">● Hire one site agent, one assistant site agent, one assistant quantity surveyor and one safety officer to cater for two newly awarded wet trades projects; and hire an accountant for financial reporting purpose● Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety	Listing proceeds of approximately HK\$3.0 million
Acquisition of machinery and equipment	<ul style="list-style-type: none">● Purchase two forklifts, four plaster spraying machines and 500 sets of parts for plaster spraying machines for our overall project needs (i.e. they are not reserved specifically for our future projects but may be used for different projects, subject to our project needs, works schedule and customers’ requirements)	Listing proceeds of approximately HK\$2.0 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Business Strategy	Implementation activities	Source of funding
	<ul style="list-style-type: none"> ● Purchase one forklift, two plaster spraying machines and 150 sets of parts for plaster spraying machines for projects that we will tender and secure during this period 	

From 1 April 2018 to 30 September 2018

Business Strategy	Implementation activities	Source of funding
Expanding our market share and competing for more wet trades projects which require the issue of surety bonds	<ul style="list-style-type: none"> ● Take out surety bonds for four contracts we plan to tender for the six months ending 30 September 2018 	Listing proceeds of approximately HK\$5 million
Further strengthening our manpower	<ul style="list-style-type: none"> ● Hire one site agent and one assistant site agent for our future project needs to ensure we have sufficient on-site workforce for projects that we will tender and secure during this period ● Evaluate the performance of the newly recruited staff and assess our need to recruit additional staff in view of our business development ● Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety 	Listing proceeds of approximately HK\$1.6 million
Acquisition of machinery and equipment	<ul style="list-style-type: none"> ● Purchase three forklifts, six plaster spraying machines and 100 sets of parts for plaster spraying machines for projects that we will tender and secure during this period 	Listing proceeds of approximately HK\$1.8 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Business Strategy	Implementation activities	Source of funding
	<ul style="list-style-type: none">● Purchase 350 sets of parts for plaster spraying machines for our overall project needs (i.e. they are not reserved specifically for our future projects but may be used for different projects, subject to our project needs, works schedule and customers' requirements) ● Evaluate the effectiveness and operating efficiency of new machinery and equipment and assess our need for additional machinery and equipment in view of our business development	

From 1 October 2018 to 31 March 2019

Business Strategy	Implementation activities	Source of funding
Expanding our market share and competing for more wet trades projects which require the issue of surety bonds	<ul style="list-style-type: none">● Take out surety bonds for one contract we plan to tender for the year ending 31 March 2019	Listing proceeds of approximately HK\$5.0 million
Further strengthening our manpower	<ul style="list-style-type: none">● Hire one site agent, two assistant site agents, one assistant quantity surveyor and one safety officer for our future project needs to ensure we have sufficient on-site workforce for projects that we will tender and secure during this period ● Continue to evaluate the performance of the newly recruited staff and assess our need to recruit additional staff in view of our business development	Listing proceeds of approximately HK\$3.0 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Business Strategy	Implementation activities	Source of funding
	<ul style="list-style-type: none"> ● Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety 	
Acquisition of machinery and equipment	<ul style="list-style-type: none"> ● Purchase three forklifts, six plaster spraying machines and 100 sets of parts for plaster spraying machine for projects that we will tender and secure during this period ● Purchase 350 sets of parts for plaster spraying machine for our overall project needs (i.e. they are not reserved specifically for our future projects but may be used for different projects, subject to our project needs, works schedule and customers' requirements) ● Continue to evaluate the effectiveness and operating efficiency of new machinery and equipment and assess our need for additional machinery and equipment in view of our business development 	Listing proceeds of approximately HK\$1.8 million

From 1 April 2019 to 30 September 2019

Business Strategy	Implementation activities	Source of funding
Expanding our market share and competing for more wet trades projects which requires the issue of surety bonds	<ul style="list-style-type: none"> ● Take out surety bonds for one contract we plan to tender for the six months ending 30 September 2019 	Listing proceeds of approximately HK\$2.7 million
Further strengthening our manpower	<ul style="list-style-type: none"> ● Continue to evaluate the performance of the newly recruited staff and assess our need to recruit additional staff in view of our business development 	

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Business Strategy	Implementation activities	Source of funding
	<ul style="list-style-type: none"> ● Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety 	
Acquisition of machinery and equipment	<ul style="list-style-type: none"> ● Purchase three forklifts, six plaster spraying machines and 50 sets of parts for plaster spraying machines for projects that we will secure and tender during this period ● Purchase 200 sets of parts for plaster spraying machines for our overall project needs (i.e. they are not reserved specifically for our future projects but may be used for different projects, subject to our project needs, works schedule and customers' requirements) ● Continue to evaluate the effectiveness and operating efficiency of new machinery and equipment and assess our need for additional machinery and equipment in view of our business development 	Listing proceeds of approximately HK\$1.6 million

From 1 October 2019 to 31 March 2020

Business Strategy	Implementation activities	Source of funding
Further strengthening our manpower	<ul style="list-style-type: none"> ● Continue to evaluate the performance of the newly recruited staff and assess our need to recruit additional staff in view of our business development 	N/A

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Business Strategy	Implementation activities	Source of funding
	<ul style="list-style-type: none"> ● Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety 	
Acquisition of machinery and equipment	<ul style="list-style-type: none"> ● Purchase two forklifts for projects that we will tender and secure during this period ● Continue to evaluate the effectiveness and operating efficiency of new machinery and equipment and assess our need for additional machinery and equipment in view of our business development 	Listing proceeds of approximately HK\$0.4 million

The following table sets forth a breakdown of how the net proceeds to be received by us from the Share Offer are intended to be applied and the timing of application:

	From the					Total
	Latest Practicable Date to 31 March 2018 HK\$'000	From 1 April 2018 to 30 September 2018 HK\$'000	From 1 October 2018 to 31 March 2019 HK\$'000	From 1 April 2019 to 30 September 2019 HK\$'000	From 1 October 2019 to 31 March 2020 HK\$'000	
Taking out surety bonds for contracts we plan to tender	7,000	5,000	5,000	2,740	–	19,740
Further strengthening our manpower	3,048	1,584	3,048	–	–	7,680
Acquisition of machinery and equipment	1,970	1,770	1,770	1,570	400	7,480
Repayment of bank overdraft facility	3,100	–	–	–	–	3,100

Our Directors consider that the net proceeds to be received by us from the Share Offer of about HK\$40.0 million, together with our Group's internal resources, cash generated from operation and our available banking facilities, will be sufficient to finance the business plans of our Group as scheduled up to 31 March 2020.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

To the extent that the net proceeds from the issue of the Offer Shares are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits or treasury products with authorised financial institutions.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent, and/or there is any material modification to the use of proceeds as described above, we will disclose such modification in our annual report in accordance with the GEM Listing Rules and will issue an announcement where it constitutes inside information.

REASONS FOR THE SHARE OFFER

Our Directors envisage that there are considerable business opportunities and growth drivers relating to the wet trades market which justify our Group's expansion plan. Please refer to the section headed "Industry Overview – Overview of Hong Kong Wet Trades Industry – Key market drivers" in this prospectus for details of such business opportunities and growth drivers. Our business expansion is in line with the industry trend. Our growing momentum to capture more business opportunities in the wet trades market and the need to implement our business strategies necessitate fund raising through the Share Offer. Please refer to the section headed "Business – Business strategies" of this prospectus for further details of our business expansion.

Our Directors consider that for purpose of increasing our market share, our ability to undertake more wet trades projects secure more customers' order for wet trades hinges on the availability of our working capital. As stated in the section headed "Business – Business strategies" of this prospectus, it is not uncommon for contractors to be required to arrange with banks or insurance companies to provide surety bonds in the amount of certain percentage (usually 10 to 20%) of the contract sum to their customers to ensure contractor's due performance and observance of a contract according to the Frost & Sullivan Report. The surety bond requirement may result in the lock-up of a portion of our capital during the term of the surety bond and thereby affecting our liquidity position. As such, in further developing our business and having regard to our available financial resources, our Directors intend to undertake more projects in the future, including those with surety bonds requirements.

Whilst our Group will ensure we have sufficient financial resources to fund the relevant projects when we submit the tenders, our Directors consider our Group does not have enough surplus cash to take surety bonds, purchase machinery and equipment and hire more staff for purpose of our business expansion. As set out in the section headed "Industry Overview – Overview of Hong Kong Wet Trades Industry – Key market drivers" of this prospectus, our Directors envisage that there will be considerable business opportunities and growth in the Hong Kong wet trades market that justify our Group's expansion plan to further penetrate into the wet trades market, expand our market share and compete for more wet trades projects (such as wet trades projects involving surety bond requirement). Accordingly, additional machinery and equipment and staff are required to meet our expansion plan. As at 31 July 2017, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this prospectus, we had unutilised banking

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

facilities of HK\$14.7 million (which are secured by personal guarantee and other collateral provided by our Controlling Shareholders and/or their spouses). We are also in the process of applying for an additional banking facilities in the amount of approximately HK\$23 million (which will be secured by personal guarantee and other collateral provided by our Controlling Shareholders and/or their spouse) As at 31 March 2017, our cash and cash equivalents amounted to approximately HK\$23.1 million. However, our Directors consider that the current financial resources available to our Group is only sufficient for our Group's daily operations for at least the next 12 months after the date of this prospectus. Our Directors consider that our current available financial resources are not sufficient to meet our need for business expansion in view of our significant cash outflow exposure including payment to suppliers, subcontractors and direct labour, and purchase of machinery and equipment associated with our business expansion. As such, our Directors believe that our Group needs to generate funds to finance its expansion plan while maintaining sufficient working capital for our Group's operations. Furthermore, during the Track Record Period and up to the Latest Practicable Date, Eric Tse Cement Works, our operating subsidiary, did not declare any dividend to its then shareholders partly because our Controlling Shareholders appreciate our Group's imminent funding need for business expansion. Furthermore, to demonstrate our commitment and current momentum for business expansion, we have been awarded a large-scale wet trades project with a contract sum of approximately HK\$215 million in relation to a residential development project in Tseung Kwan O on 10 August 2017 which is scheduled to commence in September 2017. Hence, we consider that it is necessary for our Company to raise fund through the Share Offer to facilitate implementation of our future plans.

Moreover, our Directors considered that as part of a group of private companies, our Company, without a listing status, would be difficult to obtain bank borrowings without personal guarantee or other form of collateral provided by our Controlling Shareholders. This is supported by the fact that our lending banks have indicated their intention to release the guarantees provided by our Controlling Shareholders, subject to, among other things, our Company's being successfully listed on the Stock Exchange. Although bank borrowings was one of our funding sources in the past, wet trade subcontractors like our Group without a listing status usually have difficulty in obtaining sufficient bank borrowings at a more commercially favourable term without personal guarantees or other collateral to be provided by our Controlling Shareholders for the bank borrowings. Our Directors believe if we continue to rely on bank borrowings, our Group's financial performance and liquidity might be negatively affected if market uncertainty suddenly occurred, such as increase in interest rate in the United States and any unexpected deterioration in the prevailing market condition in the wet trades industry, resulting in the imposition of further stringent requirements on debt financing. As such, our Directors consider that it is in the interest of our Group to proceed with the equity financing by way of the Share Offer for the purpose of our business expansion as opposed to a debt financing in the long run.

Hence, our Directors believe that the Listing and the Share Offer will provide sufficient financial resources to our Group for financing our business expansion and satisfy our Group's working capital requirements associated with undertaking more wet trades projects in the future.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

Furthermore, a public listing status on GEM may offer our Company a broader shareholder base and strengthen our financial position. It will also generate reassurance among our Group's existing customers, suppliers and subcontractors and strengthen our competitiveness in the market. A public listing status will also enhance our corporate profile and recognition and assist us in reinforcing our brand image and awareness. Our Directors believe that a public listing status on GEM could attract potential customers, suppliers and subcontractors who are more willing to establish business relationship with listed companies. The Listing will also enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, which would in turn assist our future business development. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Sole Bookrunner

Head & Shoulders Securities Limited

Joint Lead Managers

Head & Shoulders Securities Limited
Kingsway Financial Services Group Limited
ChaoShang Securities Limited
Ample Orient Capital Limited

Co-Lead Manager

Grand Partners Securities Limited

UNDERWRITING ARRANGEMENT AND EXPENSES

The Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, we are offering 15,000,000 Public Offer Shares (subject to reallocation) for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Stock Exchange granting listing of, and permission to deal in, the Shares (including the additional Shares to be issued pursuant to the Capitalisation Issue and the exercise of the Offer Size Adjustment Option); and (ii) certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus, the related Application Forms and the Public Offer Underwriting Agreement, for the Public Offer Shares now being offered and which are not taken up under the Public Offer.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed and becoming unconditional.

Grounds for termination

The Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriters) shall have the absolute right which is exercisable by the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Underwriters), upon giving notice in writing to our Company, to terminate the arrangements set out in the Public Offer Underwriting Agreement with immediate effect if any of the following events occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Friday, 29 September 2017):

- (a) it has come to the notice of the Sole Sponsor and/or the Sole Bookrunner that:

UNDERWRITING

- (i) any statement contained in this prospectus or other documents issued or used by or on behalf of our Company or information provided to the Sole Sponsor and the Sole Bookrunner in connection with the Share Offer (the “**Relevant Documents**”), considered by the Sole Sponsor and/or the Sole Bookrunner in its/ their absolute opinion was, when it was issued, or has become, or been discovered to be untrue, inaccurate, incorrect or misleading in any material respect;
 - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Sponsor and/or the Sole Bookrunner in its/their absolute opinion to be material in the context of the Share Offer;
 - (iii) any breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement considered by the Sole Sponsor and/or the Sole Bookrunner in its/their absolute opinion to be material in the context of the Share Offer (other than upon any of the Underwriters);
 - (iv) either (1) there has been a breach of any of the warranties or provisions of the Public Offer Underwriting Agreement by any of our Company, our executive Directors or our Controlling Shareholders (collectively, the “**Warrantors**”) or (2) any matter or event showing or rendering any of the warranties contained in the Public Offer Underwriting Agreement, as applicable, in the absolute opinion of the Sole Sponsor and/or the Sole Bookrunner, to be untrue, incorrect or misleading in any material respect when given or repeated;
 - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of the Warrantors pursuant to the indemnity provisions under the Public Offer Underwriting Agreement; or
 - (vi) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, would have rendered any warranties, in the absolute opinion of the Sole Sponsor and/or the Sole Bookrunner, untrue, incorrect, inaccurate or misleading in any respect;
- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics in Hong Kong;

UNDERWRITING

- (ii) any change or development involving a change or development, or any event or series of events, matters or circumstances likely to result in or represent any change or development, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation 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 material fluctuation in the exchange rate of the Hong Kong dollar);
- (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the Cayman Islands or BVI (the “**Relevant Jurisdictions**”);
- (iv) the imposition of economic sanctions on any of the Relevant Jurisdictions;
- (v) a change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions;
- (vi) any litigation or claim of importance instigated against any member of our Group or any Director;
- (vii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (viii) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (ix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);
- (x) any contravention by any member of our Group or any Director of the GEM Listing Rules or any applicable laws;
- (xi) a prohibition on our Company for whatever reason from allotting the Offer Shares pursuant to the terms of the Share Offer;
- (xii) non-compliance of this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other applicable laws by any of the Directors or the Warrantors;

UNDERWRITING

- (xiii) the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the subscription of the Offer Shares);
- (xiv) any change in the business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Group taken as a whole;
- (xv) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group;
- (xvi) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions;
- (xvii) any change or development in the conditions of local, national or international equity securities or other financial markets; or
- (xviii) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange or by any of the other exchanges or by such system or by order of any regulatory or governmental authority,

which in each case or in aggregate in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Underwriters):

- (i) is or will be materially adverse to or may prejudicially affect the business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group;
- (ii) has or will have a material adverse effect on the success of the Share Offer or the level of interest under the Placing;
- (iii) makes or may make it inadvisable, inexpedient or impracticable to proceed with the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by any of the Relevant Documents; or
- (iv) has or would have the effect of making any part of the Public Offer Underwriting Agreement (including undertaking) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Public

UNDERWRITING

Offer Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Sole Sponsor and/or the Sole Bookrunner:

- (a) any matter or event showing any of the warranties contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or any breach of any of the warranties contained in the Public Offer Underwriting Agreement or any other provision of the Public Offer Underwriting Agreement by any party hereto (other than the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters), which is considered, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Underwriters), to be material in the context of the Share Offer; or
- (b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Underwriters) in the context of the Share Offer; or
- (c) any statement contained in this prospectus reasonably considered to be material by the Sole Sponsor and/or the Sole Bookrunner which is discovered to be or becomes untrue, incorrect or misleading in any respect and in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Underwriters) to be material in the context of the Share Offer; or
- (d) any event, act or omission which gives rise or is likely to give rise to any material liability of any of the Warrantors pursuant to the indemnities contained in the Public Offer Underwriting Agreement,

the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Underwriters) shall be entitled (but not bound) by notice in writing to our Company on or prior to such time to terminate the Public Offer Underwriting Agreement.

Placing Underwriting Agreement

In connection with the Placing, it is expected that we will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to procure subscribers to subscribe for, or failing which they shall subscribe for, the 135,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option) initially being offered pursuant to the Placing. It is

UNDERWRITING

expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional on or before such time and date in accordance with its terms and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraphs headed “Undertakings to the Stock Exchange” and “Undertakings pursuant to the Public Offer Underwriting Agreement” below in this section.

Our Company is expected to grant the Placing Underwriters the Offer Size Adjustment Option exercisable by the Sole Bookrunner or its respective agent, on behalf of the Placing Underwriters, at any time during the period from the date of the Placing Underwriting Agreement to the Business Day immediately before the date of announcement of results of allocations and the basis of allocation of the Public Offer Share or otherwise it will lapse, to require our Company to allot and issue up to an aggregate of 22,500,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under Placing, solely to cover excess demand, if any, in the Placing.

UNDERTAKINGS TO THE STOCK EXCHANGE

Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that save as pursuant to the Share Offer (including the Offer Size Adjustment Option and the grant and exercise of the options under the Share Option Scheme), no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, he/it shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his 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, interests or encumbrances in respect of, any of those Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; or

UNDERWRITING

- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be controlling shareholders (as defined in the GEM Listing Rules).

Pursuant to Rule 13.19 of the GEM Listing Rules, each of the Controlling Shareholders has further undertaken to our Company and the Stock Exchange that he/it shall, and shall procure that the relevant registered holder(s) shall:

- (a) in the event that he/it pledges or charges any direct or indirect interest in the Shares 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, at any time during the 12-month period from the Listing Date, 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 the Shares under (a) above, inform our Company immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company shall, upon being informed of any matter under (a) or (b) above, forthwith publish an announcement giving details of the same in accordance with the GEM Listing Rules.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertakings by our Company

Our Company has undertaken to and covenanted with the Sole Sponsor, the Sole Bookrunner and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) that we shall not, unless in compliance with the requirements of the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Share Offer, the Capitalisation Issue, the exercise of the Offer Size Adjustment Option, the grant of any option under the Share Option Scheme or the issue of Shares upon exercise of any option to be granted under the Share Option Scheme, at any time during the period from the date of this prospectus and ending on the date which is six months from the Listing Date (the “**Lock-Up Period**”):

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants, or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any

UNDERWRITING

Shares, debt capital or any securities of our Company or any of our subsidiaries, or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or interest therein, as applicable);

- (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 Shares, debt capital or other securities of our Company, or interest therein;
- (c) agree (conditionally or unconditionally) to enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) announce any intention to enter into any transaction described in (a), (b) or (c) above,

whether any of the transactions described in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise.

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders has jointly and severally undertaken to and covenanted with each of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and our Company that, save as pursuant to the Share Option Scheme, he/it will not, and will procure that the relevant registered holder(s) and his/its close associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it will not, without the prior written consent of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the GEM Listing Rules:

- (a) at any time during the period commencing on the date of this prospectus and ending on, and including, the date that is six months after the Listing Date (the **“First Six-Month Period”**):
 - (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or, contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, any Shares or any other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any Shares or securities or interest therein);
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, debt capital or other securities of our Company or any interest therein;

UNDERWRITING

(iii) enter or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any transaction referred to in paragraph (a)(i) or (a)(ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into or effect any transaction referred to in paragraph(a)(i), (a)(ii) or (a)(iii) above,

whether any of the transactions described in paragraph (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of the Shares or such other securities of our Company, in cash or otherwise, or offer to or agree to do any of the transactions described in paragraph (a)(i), (a)(ii) or (a)(iii) above, or announce any intention to do so;

(b) at any time during the six-month period immediately following the First Six-Month Period (the “**Second Six-Month Period**”), dispose of, or enter into any of the transactions described in paragraphs (a)(i), (a)(ii) and (a)(iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following any such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it will cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as defined in the GEM Listing Rules) of our Company on a collective basis; and

(c) at any time before the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions described in paragraph (a)(i), (a)(ii) or (a)(iii) above or agrees or contracts to or publicly announces an intention to enter into any such transactions, he/it will take all reasonable steps to ensure that such action not create a disorderly or false market in the Shares or any other securities of our Company.

Total commission, fee and expenses

In connection with the Share Offer, the Underwriters will receive an underwriting fee of 8% of the aggregate Offer Price payable for the Offer Shares according to the arrangement of the Underwriting Agreements, out of which they will pay any sub-underwriting commissions. The Sole Sponsor will receive sole sponsorship fee of HK\$5.0 million and will be reimbursed for its expenses.

In connection with the Listing and the Share Offer, the total expenses to be borne by our Company (assuming the Offer Price of HK\$0.46 (being the mid-point of the stated range of the Offer Price) including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sole sponsorship fee, the listing fees and legal and other professional fees, printing and other expenses are approximately HK\$29.0 million (assuming the Offer Size Adjustment Option is not exercised). We will also pay for all expenses in connection with the exercise of the Offer Size Adjustment Option.

UNDERWRITING

Sole Sponsor and Underwriters' interest in our Company

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

Following the completion of the Share Offer, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Save for their interests and obligations under the Underwriting Agreements, the sole sponsorship fee payable to the Sole Sponsor in connection with the Listing, and the fee payable to the Sole Sponsor for acting as our compliance adviser, none of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters is interested, beneficially or otherwise, in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 150,000,000 Offer Shares will be made available under the Share Offer, of which 135,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 15,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” of this prospectus. Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Placing

Our Company is expected to offer initially 135,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer, and approximately 22.5% of our Company’s enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue. The Placing is expected to be fully underwritten by the Placing Underwriters (subject to satisfaction or waiver of the other conditions provided in the Placing Underwriting Agreement).

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and other investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

The Public Offer

Our Company is initially offering 15,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer, and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue. The Public Offer is fully underwritten by the Public Offer Underwriters (subject to satisfaction or waiver of the other conditions provided in the Public Offer Underwriting Agreement). Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.49 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy on each Offer Share.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investor. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected. Multiple applications or suspected multiple applications and any application made for more than 100% of the Shares initially comprised in the Public Offer (i.e. 15,000,000 Public Offer Shares) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is oversubscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares 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. Prospective investors should be aware that the allocation ratios for applications are likely to be different.

RE-ALLOCATION OF THE OFFER SHARES BETWEEN PLACING AND PUBLIC OFFER

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 45,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 60,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 75,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

In addition, the Sole Bookrunner (for itself and on behalf of the Underwriters) may, in its sole discretion, allocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may be re-allocated as between these offerings at the discretion of the Sole Bookrunner (for itself and on behalf of the Underwriters). If either the Public Offer or the Placing is not fully subscribed, the Sole Bookrunner (for itself and on behalf of the Underwriters) has the authority to re-allocate any or all unsubscribed Offer Shares from such offering to the other in such proportions as the Sole Bookrunner (for itself and on behalf of the Underwriters) deems appropriate.

Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Thursday, 28 September 2017.

OFFER SIZE ADJUSTMENT OPTION

Our Company has granted the Offer Size Adjustment Option, exercisable by the Sole Bookrunner on behalf of the Placing Underwriters at any time during the period from the date of the Placing Underwriting Agreement to the Business Day immediately before the date of the announcement of the results of allocations and the basis of allocation of the Public Offer Shares or otherwise it will lapse, to require our Company to allot and issue up to an aggregate of 22,500,000 additional Shares, representing 15% of the number of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after listing of the Shares on the Stock Exchange and is not subject to the Securities and Future (Price Stabilizing) Rules of the SFO. Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised, the Sole Bookrunner in its absolute discretion may decide to whom and proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, the additional 22,500,000 Shares and the Offer Shares will represent approximately 3.61% and 27.71% respectively of our Company's enlarged share capital immediately after completion of the Share Offer and the exercise of the Offer Size Adjustment Option.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Our Company will disclose in the announcement of the results of allocations and the basis of allocation of the Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Sole Bookrunner on behalf of the Placing Underwriters, our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

OFFER PRICE

The Offer Price will be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around Monday, 25 September 2017 (or such later date as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters)). If the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Monday, 25 September 2017 (or such later date as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters)), the Share Offer will not become unconditional and will not proceed. The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.nobleengineering.com.hk, an announcement of such change on or before the Price Determination Date and will issue a supplemental prospectus updating investors of the change in the indicative Offer Price; extend the period under which the Public Offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions; and give potential investors who had applied for the Shares the right to withdraw their applications under the Public Offer. In such event, details of the arrangement will be announced by our Company as soon as practicable. Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Offer Price will not be more than HK\$0.49 per Offer Share and is expected to be not less than HK\$0.43 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus, unless otherwise announced.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.nobleengineering.com.hk a notice of the change and if applicable the revised date. Assuming the Offer Size Adjustment Option is not exercised at all, the net proceeds from the Share Offer based on the Offer Price of HK\$0.46 per Share (being the mid-point of the stated range of the Offer Price) are estimated to be approximately HK\$40.0 million, after deduction of the underwriting commission and other expenses relating to the Share Offer and the Listing payable by our Company.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with the level of indication of interests in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.nobleengineering.com.hk on Thursday, 28 September 2017.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.49 per Offer Share and is expected to be not less than HK\$0.43 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.49 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$4,949.38 per board lot of 10,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.49 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed "How to apply for Public Offer Shares" of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares will be conditional upon, among others:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM;
- (ii) the Price Determination Agreement having been executed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company and becoming effective on the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, 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 the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If such conditions have not been fulfilled or waived by the Sole Bookrunner (for itself and on behalf of the Underwriters) prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.nobleengineering.con.hk on the next Business Day following such lapse.

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

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

DEALINGS AND SETTLEMENT

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 29 September 2017, dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Friday, 29 September 2017. Shares will be traded in board lots of 10,000 Shares each.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares. To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; 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, and its respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or 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 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, the Sole Bookrunner may accept it at the Sole Bookrunner's discretion and on any conditions the Sole Bookrunner thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four 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 and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a core connected person of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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.

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 Tuesday, 19 September 2017 to 12:00 noon on Friday, 22 September 2017 from:

- (i) any of the following offices of the Public Offer Underwriters:

Head & Shoulders Securities Limited	Room 2511, 25/F Cosco Tower 183 Queen's Road Central, Hong Kong
Kingsway Financial Services Group Limited	7/F, Tower One, Lippo Centre 89 Queensway, Hong Kong
ChaoShang Securities Limited	Rooms 4001-4002, 40/F, China Resources Building 26 Harbour Road, Wanchai, Hong Kong
Ample Orient Capital Limited	Room A, 17/F, Fortune House 61 Connaught Road Central, Central, Hong Kong
Grand Partners Securities Limited	9/F, Connaught Harbourfront House 35-36 Connaught Road West, Hong Kong

- (ii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch	Address
Hong Kong Island	Sheung Wan Branch	Shop F, G/F Kai Tak Commercial Building 317-319 Des Voeux Road Central Sheung Wan, Hong Kong
	North Point Branch	G/F, 436-438 King's Road North Point, Hong Kong
Kowloon	Mei Foo Branch	Shop N95A, 1/F Mount Sterling Mall Mei Foo Sun Chuen, Kowloon
	Hung Hom Branch	Shop 2A, G/F Hung Hom Shopping Mall 2-34E Tak Man Street Hung Hom, Kowloon
New Territories	Sheung Shui Branch	Shop 2, G/F, San Fung Building No.33 San Fung Avenue, Shek Wu Hui Sheung Shui, New Territories

HOW TO APPLY FOR PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 19 September 2017 until 12:00 noon on Friday, 22 September 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 "ICBC (Asia) Nominee Limited – NOBLE ENGINEERING 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:

- Tuesday, 19 September 2017 – 9:00 a.m. to 5:00 p.m.**
- Wednesday, 20 September 2017 – 9:00 a.m. to 5:00 p.m.**
- Thursday, 21 September 2017 – 9:00 a.m. to 5:00 p.m.**
- Friday, 22 September 2017 – 9:00 a.m. to 12:00 noon**

The application lists will be opened from 11:45 a.m. to 12:00 noon on Friday, 22 September 2017, the last application day or such later time as described in the paragraph headed "9. 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.

By submitting an Application Form, among other things, (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person of whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner, the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the CWUMPO and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (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 refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Bookrunner and the Joint Lead Managers 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 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; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING 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).

HOW TO APPLY FOR PUBLIC OFFER SHARES

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, the Joint Lead Managers 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;
- (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;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Sole Bookrunner and the Joint Lead Managers 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 Joint Lead Managers, the Underwriters, the Sole Sponsor, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 CWUMPO gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the CWUMPO, the Companies Ordinance and the Memorandum and Articles of Association of our Company; 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:

Tuesday, 19 September 2017	– 9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 20 September 2017	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 21 September 2017	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 22 September 2017	– 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 19 September 2017 until 12:00 noon on Friday, 22 September 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 Friday, 22 September 2017, the last application day or such later time as described in the paragraph headed “9. 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 CWUMPO

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 CWUMPO (as applied by Section 342E of the CWUMPO).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Bookrunner, the Joint Lead Managers, the Sole Sponsor and 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.

6. 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. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Bookrunner, the Joint Lead Managers, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 22 September 2017.

HOW TO APPLY FOR PUBLIC OFFER SHARES

7. 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, 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).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer 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 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.

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 section headed “Structure and conditions of the Share Offer – Offer Price” of this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 22 September 2017.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 22 September 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” of this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 28 September 2017 on our Company’s website at www.nobleengineering.com.hk 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:

HOW TO APPLY FOR PUBLIC OFFER SHARES

- in the announcement to be posted on our Company's website at www.nobleengineering.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Thursday, 28 September 2017;
- from the designated results of allocations website at www.ewhiteform.com.hk/ results with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Thursday, 28 September 2017 to 12:00 midnight on Wednesday, 4 October 2017;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Thursday, 28 September 2017 to Wednesday, 4 October 2017 on a Business Day (excluding any day which is Saturday, Sunday or public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 28 September 2017 to Friday, 29 September 2017 at the designated receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the 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.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED 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, 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 CWUMPO (as applied by Section 342E of the CWUMPO) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner, the Joint Lead Managers, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division of 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 Listing Division of 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 and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- our Company or the Sole Bookrunner and the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

12. 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\$0.49 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 “Structure and conditions of the Share Offer – Conditions of the Share Offer” of 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 Thursday, 28 September 2017.

13. 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 the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified 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 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).

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Thursday, 28 September 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).

Share certificates will only become valid at 8:00 a.m. on Friday, 29 September 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" of 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 the Hong Kong Branch Share Registrar at 31/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 28 September 2017 or such other date as notified by us in the newspapers.

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 Thursday, 28 September 2017, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(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 Thursday, 28 September 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 28 September 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.

- *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 "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 28 September 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 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

Participant's stock account or your CCASS Investor Participant stock account on Thursday, 28 September 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "10. Publication of results" above in this section on Thursday, 28 September 2017.

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 28 September 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 28 September 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 28 September 2017.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect

HOW TO APPLY FOR PUBLIC OFFER SHARES

from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-37, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

19 September 2017

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NOBLE ENGINEERING GROUP HOLDINGS LIMITED AND KINGSWAY CAPITAL LIMITED

Introduction

We report on the historical financial information of Noble Engineering Group Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-1 to I-37, which comprises the combined statements of financial position as at 31 March 2016 and 2017 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-1 to I-37 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 19 September 2017 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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 1 and Note 2 of Section II 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 (“**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 1 and Note 2 of Section II 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 Group's financial position as at 31 March 2016 and 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 1 and Note 2 of Section II to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hui Chun Keung, David
Practising Certificate Number: P05447
Hong Kong
19 September 2017

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by HLB Hodgson Impey Cheng Limited in accordance with the Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars ("**HK\$**") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

Combined statements of profit or loss and other comprehensive income

		Year ended 31 March 2016	Year ended 31 March 2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	267,408	285,430
Direct costs		<u>(247,393)</u>	<u>(255,612)</u>
Gross profit		20,015	29,818
Other income and gain	5	17	71
Administrative and other operating expenses		(5,238)	(13,691)
Finance costs	9	<u>(62)</u>	<u>(177)</u>
Profit before income tax	6	14,732	16,021
Income tax expense	10	<u>(2,411)</u>	<u>(3,465)</u>
Profit and total comprehensive income for the year attributable to owners of the Company		<u>12,321</u>	<u>12,556</u>
Basic and diluted earnings per share	11	<u>HK\$0.03</u>	<u>HK\$0.03</u>

Details of dividends are disclosed in Note 12 to the Historical Financial Information.

Combined statements of financial position

	<i>Note</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Plant and equipment	<i>13</i>	1,342	2,003
Deferred tax assets	<i>25</i>	<u>–</u>	<u>179</u>
		<u>1,342</u>	<u>2,182</u>
Current assets			
Gross amounts due from customers for contract work	<i>15</i>	11,140	28,608
Trade and other receivables	<i>16</i>	35,707	48,074
Amounts due from directors	<i>17</i>	14,032	–
Cash and bank balances	<i>18</i>	25,402	29,389
Restricted cash	<i>19</i>	<u>–</u>	<u>80</u>
		<u>86,281</u>	<u>106,151</u>
Total assets		<u><u>87,623</u></u>	<u><u>108,333</u></u>
EQUITY			
Capital and reserves			
Combined capital	<i>20</i>	–	10,000
Retained earnings		<u>19,047</u>	<u>31,603</u>
Total equity		<u>19,047</u>	<u>41,603</u>
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	<i>24</i>	298	–
Deferred tax liabilities	<i>25</i>	<u>112</u>	<u>–</u>
		<u>410</u>	<u>–</u>

		As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
	<i>Note</i>		
Current liabilities			
Gross amounts due to customers for contract work	<i>15</i>	7,540	7,733
Trade and other payables	<i>21</i>	19,972	29,148
Amount due to a related company	<i>22</i>	36,543	–
Amounts due to directors	<i>23</i>	–	20,432
Finance lease liabilities	<i>24</i>	524	–
Bank overdrafts		–	6,246
Current income tax liabilities		<u>3,587</u>	<u>3,171</u>
		<u>68,166</u>	<u>66,730</u>
Total liabilities		<u>68,576</u>	<u>66,730</u>
Total equity and liabilities		<u>87,623</u>	<u>108,333</u>
Net current assets		<u>18,115</u>	<u>39,421</u>
Total assets less current liabilities		<u>19,457</u>	<u>41,603</u>

Combined statements of changes in equity

	Combined capital <i>HK\$'000</i> <i>(Note 20)</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 April 2015	–	6,726	6,726
Profit and total comprehensive income for the year	–	<u>12,321</u>	<u>12,321</u>
Balance as at 31 March 2016	<u>–</u>	<u>19,047</u>	<u>19,047</u>
Balance as at 1 April 2016	–	19,047	19,047
Issue of ordinary shares	10,000	–	10,000
Profit and total comprehensive income for the year	–	<u>12,556</u>	<u>12,556</u>
Balance as at 31 March 2017	<u>10,000</u>	<u>31,603</u>	<u>41,603</u>

Combined statements of cash flows

		Year ended 31 March 2016	Year ended 31 March 2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Cash generated from/(used in) operations	27	18,111	(3,664)
Tax paid		<u>–</u>	<u>(4,172)</u>
Net cash generated from/(used in) operating activities		<u>18,111</u>	<u>(7,836)</u>
Cash flows from investing activities			
Interest received		1	–
(Increase)/Decrease in amounts due from directors		(14,032)	14,032
Purchases of plant and equipment		<u>(6)</u>	<u>(1,188)</u>
Net cash (used in)/generated from investing activities		<u>(14,037)</u>	<u>12,844</u>
Cash flows from financing activities			
Interest paid		(62)	(177)
(Decrease)/Increase in amounts due to directors		(4,507)	30,432
Increase/(Decrease) in amount due to a related company		22,428	(36,543)
Repayments of finance leases liabilities		<u>(562)</u>	<u>(979)</u>
Net cash generated from/(used in) financing activities		<u>17,297</u>	<u>(7,267)</u>
Net increase/(decrease) in cash and cash equivalents		21,371	(2,259)
Cash and cash equivalents at beginning of the year		<u>4,031</u>	<u>25,402</u>
Cash and cash equivalents at end of the year		<u><u>25,402</u></u>	<u><u>23,143</u></u>
Analysis of balances of cash and cash equivalents			
Cash and bank balances	18	25,402	29,389
Bank overdrafts		<u>–</u>	<u>(6,246)</u>
		<u><u>25,402</u></u>	<u><u>23,143</u></u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 12 April 2017 as an exempted company with limited liability. Its parent and ultimate holding company is Land Noble Holdings Limited (“**Land Noble**”), a company incorporated in the British Virgin Islands (the “**BVI**”) and owned as to 50% by Mr. Tse Chun Yuen (“**Mr. Eric Tse**”) and 50% by Mr. Tse Chun Kuen (“**Mr. CK Tse**”).

The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Prospectus. The Company is an investment holding company. The Group is principally engaged in provision of wet trades works services.

Throughout the Track Record Period, the group entities were under the control of Mr. Eric Tse and Mr. CK Tse. Through a corporate reorganisation as more fully explained in the paragraph headed “Reorganisation” in “History, Development and Reorganisation” to the Prospectus (the “**Reorganisation**”), the Company became the holding company of the companies now comprising the Group on 6 September 2017. Accordingly, for the purpose of the preparation of the Historical Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Eric Tse and Mr. CK Tse prior to and after the Reorganisation.

The Historical Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared to present as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

Upon completion of the Reorganisation and as of the date of this report, the Company has the direct and indirect interest in the following wholly-owned subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities	Note
Noble Wisdom Holdings Limited (“ Noble Wisdom ”)	Limited liability company incorporated on 5 January 2017, the BVI	US\$4.00	100% (direct)	Investment holding	1
Eric Tse Cement Works Company Limited (“ Eric Tse Cement Works ”)	Limited liability company incorporated on 8 October 1997, Hong Kong	HK\$10,000,000.00	100% (indirect)	Provision of wet trades works services	2

Note 1: No audited statutory financial statements have been prepared for Noble Wisdom since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement.

Note 2: The statutory financial statements of Eric Tse Cement Works for the year ended 31 March 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, were audited by Global Vision CPA Limited, Certified Public Accountants (Practising), Hong Kong.

All companies now comprising the Group have adopted 31 March as their financial year end date.

The Historical Financial Information is presented in HK\$, which is the same as the functional currency of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the HKFRSs issued by the HKICPA are set out below. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The Historical Financial Information set out in this report has been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of the Historical Financial Information in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4 below.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the Track Record Period and which the Group has not early adopted:

		Effective for accounting periods of the Group beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKAS 7	Disclosure Initiative	1 January 2017
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to HKAS 40	Transfers of Investment Property	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2017 or 1 January 2018, as appropriate
HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019

(i) *HKFRS 9 “Financial Instruments”*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 “*Financial Instruments: Recognition and Measurement*” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an economic relationship. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company are assessing the impact of HKFRS 9 but anticipate that the application of HKFRS 9 in the future will have no material impact on the Historical Financial Information.

(ii) **HKFRS 15 “Revenue from Contracts with Customers”**

HKFRS 15 was issued establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the HKFRS 15 introduces a 5-step approach revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Historical Financial Information. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

(iii) **HKFRS 16 “Leases”**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of many of the Group’s lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these Historical Financial Information.

Total operating lease commitment of the Group as at 31 March 2017 amounted to approximately HK\$1,060,000 (*Note 28*). The directors of the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s results but it is expected that certain portion of these lease commitments will be required to be recognised in the combined statements of financial position as right-of-use assets and lease liabilities.

Except for the above, the directors of the Company do not anticipate that the application of the new and revised HKFRSs listed above will have a material impact on the Historical Financial Information.

(b) **Consolidation and combination**

The Historical Financial Information includes the financial information of the Company and all its subsidiaries made up to respective year end dates during the Track Record Period.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Transaction with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Merger accounting for common control combinations

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(e) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

(f) **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 Historical Financial Information is presented in HK\$, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(g) **Plant and equipment**

The plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

Office equipment	20%
Motor vehicles	25%
Machinery and equipment	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statements of profit or loss and other comprehensive income.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the combined statements of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain plant and equipment. Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the combined statements of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(j) Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amounts due from directors", "cash and bank balances" and "restricted cash" in the combined statements of financial position.

(k) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(l) Gross amounts due from/to customers for contract work

A construction contract is defined in HKAS 11 as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, and the stage of completion are measured based on surveys of work performed. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

The Group presents as an asset the gross amounts due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade and other receivables".

The Group presents as a liability the gross amounts due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(m) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(n) Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(o) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if the payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(r) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Employee benefits*(i) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

The Group operates defined contribution plans and pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(u) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Historical Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Historical Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

Revenue from contract work is recognised based on the percentage of completion of the contracts, provided that the percentage of contract completion and the gross billing value of contracting work can be measured reliably. The percentage of completion of a contract is established by reference to the construction works certified by customers.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

(x) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

3 FINANCIAL RISK MANAGEMENT**(a) Financial risk factors**

The Group's activities exposed it to a variety of financial risks: cash flow and fair value interest rate risk, credit risk and liquidity 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.

(i) Cash flow and fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate finance lease liabilities, while the Group's cash flow interest rate risk relates primarily to variable-rate bank overdrafts. It is the Group's policy to keep its finance lease liabilities at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong dollar prime rate arising from the Group's Hong Kong dollar denominated bank overdrafts.

The Group currently does not have a formal interest rate hedging policy in relation to cash flow and fair value interest rate risks as the management considers that such risks are insignificant to the Group. The management monitors the Group's exposure on an ongoing basis and will consider hedging the interest rate when the need arises.

As at 31 March 2016 and 2017, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit before tax for the years ended 31 March 2016 and 2017 would have been decreased/increased by approximately Nil and HK\$62,000, respectively. The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year end had been applied to the exposure to interest rate risk for variable-rate bank overdrafts in existence at the end of each reporting period. The 100 basis points increased/decreased represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of next reporting period.

(ii) Credit risk

Credit risk arises mainly from trade and other receivables, amounts due from directors, restricted cash and cash and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2016 and 2017, there was one and Nil customer which individually contributed over 10% of the Group's trade and other receivables, respectively. The aggregate amounts of trade and other receivables from this customer amounted to approximately 19.3% and Nil of the Group's total trade and other receivables as at 31 March 2016 and 2017 respectively.

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient financial resources to fund their operations.

The following table details the remaining contractual maturities at the year end dates during the Track Record Period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating based on current rates at the reporting dates during the Track Record Period) and the earliest date the Group may be required to pay.

	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total HK\$'000
As at 31 March 2016				
Trade and other payables				
excluding non-financial liabilities	19,972	–	–	19,972
Amount due to a related company	36,543	–	–	36,543
Finance lease liabilities	561	280	27	868
	<u>57,076</u>	<u>280</u>	<u>27</u>	<u>57,383</u>
As at 31 March 2017				
Trade and other payables				
excluding non-financial liabilities	29,148	–	–	29,148
Amounts due to directors	20,432	–	–	20,432
Bank overdrafts	6,246	–	–	6,246
	<u>55,826</u>	<u>–</u>	<u>–</u>	<u>55,826</u>

(b) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities as at each year end divided by the total equity as at each year end.

The gearing ratios during the Track Record Period are as follows:

	As at 31 March 2016	As at 31 March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance lease liabilities (<i>Note 24</i>)	822	–
Bank overdrafts	<u>–</u>	<u>6,246</u>
Total debt	822	6,246
Total equity	<u>19,047</u>	<u>41,603</u>
Gearing ratio	<u>4.3%</u>	<u>15.0%</u>

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Historical Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period and actual cost or revenue may be higher or lower than estimated at the end of the reporting period, which could affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

5 REVENUE, OTHER INCOME AND GAIN AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents construction contract receipts in the ordinary course of business. Revenue and other income and gain recognised during the respective years are as follows:

	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>
Revenue		
Provision of wet trades works services	<u>267,408</u>	<u>285,430</u>
Other income and gain		
Bank interest income	1	–
Net foreign exchange gains	11	–
Others	<u>5</u>	<u>71</u>
	<u>17</u>	<u>71</u>

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment and reviews Historical Financial Information accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>
Customer (a) ²	94,970	73,960
Customer (b)	78,745	75,364
Customer (c) ²	32,551	N/A ¹
Customer (d)	<u>28,750</u>	<u>42,016</u>

¹ The corresponding revenue did not contribute over 10% of total revenue of the Group.

² The above customers represent a collective of companies within a group.

6 PROFIT BEFORE INCOME TAX

	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation of assets under finance leases	477	413
Depreciation of owned assets	<u>220</u>	<u>271</u>
	697	684
Less: Amount included in gross amounts due from/(to) customers for contract work	<u>(15)</u>	<u>(35)</u>
	<u>682</u>	<u>649</u>
Operating lease rental in respect of machinery and equipment	465	312
Add/(less): Amount included in gross amounts due from/(to) customers for contract work	<u>164</u>	<u>(161)</u>
	<u>629</u>	<u>151</u>
Auditors' remuneration	20	32
Listing expenses	–	5,099
Operating lease rental in respect of premises	–	180
Provision for impairment of trade receivables (<i>Note 16</i>)	–	2,665
Provision for impairment of retention receivables (<i>Note 16</i>)	544	–
Staff costs, including directors' emoluments (<i>Note 7</i>)	11,335	13,806

7 EMPLOYEE BENEFITS EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>
Salaries and allowances	10,664	16,995
Retirement scheme contributions – defined contribution plan	<u>408</u>	<u>563</u>
	11,072	17,558
Add/(less): Amount included in gross amounts due from/(to) customers for contract work	<u>263</u>	<u>(3,752)</u>
	<u>11,335</u>	<u>13,806</u>

The Group operates defined contribution schemes in Hong Kong which comply with the requirements under the Mandatory Provident Fund (“MPF”) Schemes Ordinance. All assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

8 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director for the Track Record Period is set out below:

	Fee <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended					
31 March 2016					
<i>Directors</i>					
Mr. Eric Tse	–	600	–	–	600
Mr. CK Tse	–	600	–	12	612
Ms. Tse Ming Hei ("Ms. Tse")	–	220	–	10	230
	–	1,420	–	22	1,442
Year ended					
31 March 2017					
<i>Directors</i>					
Mr. Eric Tse	–	600	–	–	600
Mr. CK Tse	–	600	–	8	608
Ms. Tse	–	223	54	12	289
	–	1,423	54	20	1,497

Mr. Eric Tse, Mr. CK Tse and Ms. Tse were appointed as directors of the Company on 12 April 2017 and redesignated as executive directors of the Company on 14 September 2017. Ms. Tse is also the chief executive officer of the Company. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

Mr. Wong Yiu Kwong Kenji, Ms. Chung Lai Ling and Mr. Tang Chi Wai were appointed as independent non-executive directors of the Company on 11 September 2017. During the Track Record Period, the aforesaid independent non-executive directors have not yet been appointed and received no directors' remuneration in their capacity as directors.

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.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, two and one of them are directors for the years ended 31 March 2016 and 2017 respectively, whose emoluments are disclosed above. The emoluments in respect of the remaining three and four individuals for the years ended 31 March 2016 and 2017 are as follows:

	Year ended 31 March 2016	Year ended 31 March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	1,114	1,654
Discretionary bonuses	320	1,453
Retirement scheme contributions	<u>52</u>	<u>66</u>
	<u>1,486</u>	<u>3,173</u>

The emoluments of each of the above non-directors, highest paid individuals were below HK\$1,000,000. 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) compensation for loss of office as a director or management of any members of the Group.

9 FINANCE COSTS

	Year ended 31 March 2016	Year ended 31 March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on finance leases	62	46
Interest on bank overdrafts	<u>–</u>	<u>131</u>
	<u>62</u>	<u>177</u>

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the Track Record Period.

	Year ended 31 March 2016	Year ended 31 March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax – current tax on profits for the year	2,419	3,756
Deferred income tax (<i>Note 25</i>)	<u>(8)</u>	<u>(291)</u>
Income tax expense	<u>2,411</u>	<u>3,465</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>
Profit before income tax	<u>14,732</u>	<u>16,021</u>
Calculated at a tax rate of 16.5%	2,431	2,643
<i>Tax effects of:</i>		
Expenses not deductible for tax purposes	–	842
Tax concession	<u>(20)</u>	<u>(20)</u>
Income tax expense	<u>2,411</u>	<u>3,465</u>

11 EARNINGS PER SHARE

For the purpose of this report, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the Track Record Period and (ii) the weighted average number of 450,000,000 shares in issue (comprising 10,000 shares in issue and 449,990,000 shares to be issued under the capitalisation issue as described in Appendix IV "Statutory and General Information" to the Prospectus) as if these 450,000,000 shares were outstanding throughout the Track Record Period.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the Track Record period.

12 DIVIDENDS

No dividends have been paid or declared by any of the companies comprising the Group during Track Record Period or by the Company since its incorporation.

13 PLANT AND EQUIPMENT

	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
As at 1 April 2015	–	1,319	1,296	2,615
Additions	<u>6</u>	<u>–</u>	<u>596</u>	<u>602</u>
As at 31 March 2016	<u>6</u>	<u>1,319</u>	<u>1,892</u>	<u>3,217</u>
Accumulated depreciation				
As at 1 April 2015	–	639	539	1,178
Charge for the year	<u>–</u>	<u>321</u>	<u>376</u>	<u>697</u>
As at 31 March 2016	<u>–</u>	<u>960</u>	<u>915</u>	<u>1,875</u>
Net book value				
As at 31 March 2016	<u><u>6</u></u>	<u><u>359</u></u>	<u><u>977</u></u>	<u><u>1,342</u></u>
Cost				
As at 1 April 2016	6	1,319	1,892	3,217
Additions	<u>199</u>	<u>–</u>	<u>1,146</u>	<u>1,345</u>
As at 31 March 2017	<u>205</u>	<u>1,319</u>	<u>3,038</u>	<u>4,562</u>
Accumulated depreciation				
As at 1 April 2016	–	960	915	1,875
Charge for the year	<u>14</u>	<u>215</u>	<u>455</u>	<u>684</u>
As at 31 March 2017	<u>14</u>	<u>1,175</u>	<u>1,370</u>	<u>2,559</u>
Net book value				
As at 31 March 2017	<u><u>191</u></u>	<u><u>144</u></u>	<u><u>1,668</u></u>	<u><u>2,003</u></u>

(a) Fixed asset held under finance leases

- (i) Motor vehicle includes the following amounts where the Group is a lessee under finance leases.

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Cost – capitalised finance lease	498	–
Accumulated depreciation	<u>(353)</u>	<u>–</u>
Net book value (<i>Note 24</i>)	<u><u>145</u></u>	<u><u>–</u></u>

- (ii) Machinery and equipment include the following amounts where the Group is a lessee under finance leases.

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Cost – capitalised finance lease	1,391	–
Accumulated depreciation	<u>(459)</u>	<u>–</u>
Net book value (<i>Note 24</i>)	<u>932</u>	<u>–</u>

14 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Financial assets		
<i>Loans and receivables</i>		
Trade and other receivables excluding prepayments	35,707	47,975
Amounts due from directors	14,032	–
Cash and bank balances	25,402	29,389
Restricted cash	<u>–</u>	<u>80</u>
	<u>75,141</u>	<u>77,444</u>
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Trade and other payables excluding non-financial liabilities	19,972	29,148
Amount due to a related company	36,543	–
Amounts due to directors	–	20,432
Finance lease liabilities	822	–
Bank overdrafts	<u>–</u>	<u>6,246</u>
	<u>57,337</u>	<u>55,826</u>

15 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	254,483	627,021
Less: Progress billings received and receivables	<u>(243,343)</u>	<u>(598,413)</u>
	<u>11,140</u>	<u>28,608</u>
Gross amounts due to customers for contract work		
Progress billings received and receivables	304,967	195,793
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(297,427)</u>	<u>(188,060)</u>
	<u>7,540</u>	<u>7,733</u>

16 TRADE AND OTHER RECEIVABLES

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Trade receivables	11,587	18,944
Less: Provision for impairment of trade receivables	<u>–</u>	<u>(2,665)</u>
Trade receivables – net	11,587	16,279
Retention receivables (<i>Note (c)</i>)	22,125	28,905
Other receivables, deposits and prepayments	<u>1,995</u>	<u>2,890</u>
	<u>35,707</u>	<u>48,074</u>

Notes:

- (a) Whilst the credit period granted to customers are ranging from 17 to 35 days generally.
- (b) The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
0-30 days	7,698	10,291
31-60 days	2,460	4,375
61-90 days	1,424	1,510
Over 90 days	<u>5</u>	<u>103</u>
	<u>11,587</u>	<u>16,279</u>

Trade receivables of approximately HK\$7,698,000 and HK\$11,743,000 as at 31 March 2016 and 2017 were not yet past due, and approximately HK\$3,889,000 and HK\$4,536,000 as at 31 March 2016 and 2017 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 and no provision has therefore been made. The ageing analysis of these trade receivables is as follows:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
0-30 days	2,460	2,924
31-60 days	1,424	1,510
61-90 days	5	–
Over 90 days	<u>–</u>	<u>102</u>
	<u>3,889</u>	<u>4,536</u>

Movements in the Group's provision for impairment of trade receivables are as follows:

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000
Beginning of the year	–	–
Provision made for the year (Note 6)	–	2,665
End of the year	<u>–</u>	<u>2,665</u>

- (c) Retention receivables were not past due as at 31 March 2016 and 2017, and were settled in accordance with the terms of respective contract.

Movements in the Group's provision for impairment of retention receivables are as follows:

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000
Beginning of the year	–	–
Provision made for the year (Note 6)	544	–
Retention receivables written off as uncollectible	<u>(544)</u>	<u>–</u>
End of the year	<u>–</u>	<u>–</u>

- (d) At the end of each reporting period, the Group reviews trade and other receivables for evidence of impairment on both an individual and collective basis. Based on the impairment assessment, provision for impairment of trade receivables and retention receivables are recognised which are in financial difficulties in repaying the outstanding balances. The Group does not hold any collateral as security over these receivables.
- (e) The carrying amounts of the Group's trade and other receivables are denominated in HK\$.
- (f) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

17 AMOUNTS DUE FROM DIRECTORS

Particulars of amounts due from directors are as follows:

Name of directors	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000
Mr. Eric Tse	7,016	–
Mr. CK Tse	<u>7,016</u>	<u>–</u>
	<u>14,032</u>	<u>–</u>

The balances are denominated in HK\$. The amounts due from directors are non-trade nature, unsecured, interest-free and repayable on demand.

18 CASH AND BANK BALANCES

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Cash at banks	25,391	29,389
Cash on hand	<u>11</u>	<u>–</u>
	<u>25,402</u>	<u>29,389</u>

Notes:

- (i) The cash and cash equivalents are denominated in HK\$ as at 31 March 2016 and 2017.
- (ii) Cash at banks earns interest at floating rates based on daily bank deposit rates.

19 RESTRICTED CASH

Restricted cash represents deposit held at an insurance company for faithful of performance in according to the contract between the Group and the customer.

20 COMBINED CAPITAL

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Combined capital	<u>–</u>	<u>10,000</u>

For the purpose of the preparation of the combined statements of financial position, the balance of combined capital as at 31 March 2016 and 2017 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.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 12 April 2017 with an initial authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares of HK\$0.01 each and one subscribers share was issued thereafter.

On 28 March 2017, each of Mr. Eric Tse and Mr. CK Tse capitalised part of his amount due from Eric Tse Cement Works in the amount of HK\$4,999,999 by issue and allotment of 4,999,999 new shares in Eric Tse Cement Works credited as fully paid. After such issue and allotment of shares, Eric Tse Cement Works has a total paid up capital of HK\$10,000,000 and a total of 10,000,000 shares in issue.

21 TRADE AND OTHER PAYABLES

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Trade payables	18,348	27,884
Accruals and other payables	<u>1,624</u>	<u>1,264</u>
	<u>19,972</u>	<u>29,148</u>

Notes:

- (a) Payment terms granted by suppliers of materials and subcontractors are ranging from 0 to 30 days generally.

The ageing analysis of trade payables based on the invoice date is as follows:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
0-30 days	18,071	22,423
31-60 days	268	1,715
61-90 days	9	1,150
Over 90 days	<u>–</u>	<u>2,596</u>
	<u>18,348</u>	<u>27,884</u>

- (b) All trade and other payables are denominated in HK\$.

22 AMOUNT DUE TO A RELATED COMPANY

Name of a related company	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Eric Tse Cement Works (The Partnership Business)	<u>36,543</u>	<u>–</u>

Eric Tse Cement Works (The Partnership Business) was owned by Mr. Eric Tse and Mr. CK Tse in equal share.

The balance is denominated in HK\$. The amount due to a related company is non-trade nature, unsecured, interest-free and repayable on demand.

23 AMOUNTS DUE TO DIRECTORS

Name of directors	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Mr. Eric Tse	–	10,216
Mr. CK Tse	<u>–</u>	<u>10,216</u>
	<u>–</u>	<u>20,432</u>

The balances are denominated in HK\$. The amounts due to directors are non-trade nature, unsecured, interest-free and repayable on demand.

24 FINANCE LEASE LIABILITIES

As at 31 March 2016 and 2017, the Group had finance leases repayable as follows:

	As at 31 March 2016		As at 31 March 2017	
	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000
Within one year	524	561	–	–
More than one year but not more than two years	271	280	–	–
More than two years but not more than five years	27	27	–	–
	<u>822</u>	868	<u>–</u>	–
Less: total future interest expenses		(46)		–
Present value of lease obligations		<u>822</u>		<u>–</u>

The Group's motor vehicle with aggregate net book value of approximately HK\$145,000 and Nil as at 31 March 2016 and 2017 respectively (*Note 13*) was secured as the rights to the leased assets revert to the lessors in the event of default and by the unlimited personal guarantee granted by Mr. Eric Tse and Mr. CK Tse.

The Group's machinery and equipment with aggregate net book value of approximately HK\$932,000 and Nil as at 31 March 2016 and 2017 respectively (*Note 13*) were secured as the rights to the leased assets revert to the lessors in the event of default and by the unlimited personal guarantee granted by Mr. Eric Tse and Mr. CK Tse.

The Group had committed finance lease facilities which bore interest ranging from 2.8% to 3.0%, and Nil per annum as at 31 March 2016 and 2017 respectively.

The unlimited personal guarantee granted by Mr. Eric Tse and Mr. CK Tse were released upon the balance was fully settled during the year ended 31 March 2017.

The carrying amounts of all finance lease liabilities are denominated in HK\$.

25 DEFERRED INCOME TAX

The components of deferred tax assets/(liabilities) recognised in the combined statements of financial position and the movements during the Track Record Period are as follows:

Deferred tax arising from:	Provision for impairment of trade receivables <i>HK\$'000</i>	Tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2015	–	(120)	(120)
Credited to profit or loss (<i>Note 10</i>)	<u>–</u>	<u>8</u>	<u>8</u>
As at 31 March 2016 and 1 April 2016	–	(112)	(112)
Credited/(Charged) to profit or loss (<i>Note 10</i>)	<u>440</u>	<u>(149)</u>	<u>291</u>
As at 31 March 2017	<u><u>440</u></u>	<u><u>(261)</u></u>	<u><u>179</u></u>

26 BANKING FACILITIES

As at 31 March 2016 and 2017, the Group has unutilised bank overdraft facilities of approximately HK\$12,000,000 and HK\$13,754,000 respectively, which were secured by car parking spaces and properties owned by Mr. Eric Tse, Mr. CK Tse and their spouses, and personal guarantee granted by Mr. Eric Tse and Mr. CK Tse.

As at 31 March 2016 and 2017, the bank overdrafts are carrying interest at a rate of 0.5% over the prime rate of the relevant bank per annum.

27 NOTES TO COMBINED STATEMENTS OF CASH FLOWS**(a) Reconciliation of profit before income tax to cash generated from operations**

	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>
Profit before income tax	14,732	16,021
Adjustments for:		
Depreciation of plant and equipment	682	649
Provision for impairment of trade receivables	–	2,665
Provision for impairment of retention receivables	544	–
Interest expense	62	177
Interest income	<u>(1)</u>	<u>–</u>
Operating profit before changes in working capital	16,019	19,512
Increase in gross amounts due from customers for contract work	(2,878)	(17,496)
Increase in trade and other receivables	(14,571)	(15,032)
Increase in restricted cash	–	(80)
(Decrease)/Increase in gross amounts due to customers for contract work	(418)	256
Increase in trade and other payables	<u>19,959</u>	<u>9,176</u>
Cash generated from/(used in) operations	<u><u>18,111</u></u>	<u><u>(3,664)</u></u>

(b) Non-cash transactions

During the years ended 31 March 2016 and 2017, additions to plant and equipment of approximately HK\$596,000 and HK\$157,000 were financed by finance lease arrangements respectively.

28 COMMITMENTS**Operating lease commitments – Group as lessee**

At the end of each of the Track Record Period, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Within one year	–	681
In the second to fifth years inclusive	<u>–</u>	<u>379</u>
	<u>–</u>	<u>1,060</u>

The Group is the lessee in respect of premises under operating leases. The leases typically run for initial periods of approximately 2 years, with an option to renew the leases when all terms are renegotiated.

29 RELATED PARTY TRANSACTION

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) Save as disclosed in Note 17, 22, 23, 24 and 26 to the Historical Financial Information, the Group did not have any significant related party transaction with related parties during the Track Record Period.
- (b) The emoluments of the directors and senior executives (representing the key management personnel) during the Track Record Periods are disclosed in Note 8.

30 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

The Group had no significant contingent liabilities at the end of each of the Track Record Period.

III DIRECTORS' REMUNERATION

Save as disclosed in Note 8 to this report, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 March 2018 is expected to be approximately HK\$2,475,000.

IV SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 March 2017:

- (a) The Reorganisation as set out in Note 1 of Section II was completed on 6 September 2017.
- (b) The Company adopted a share option scheme on 14 September 2017, a summary of the terms and conditions of which are set out in the paragraph headed "Share Option Scheme" in Appendix IV "Statutory and General Information" to the Prospectus.
- (c) On 14 September 2017, the authorised share capital of the Company was increased from HK\$100,000 to HK\$15,000,000 by the creation of an additional of 1,490,000,000 shares of HK\$0.01 each.

V SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report on the financial information of the Group for the two years ended 31 March 2016 and 2017 prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I of this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set forth in Appendix I of this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Share Offer on the audited combined net tangible assets of the Group attributable to owners of the Company as of 31 March 2017, as if the Share Offer had taken place on 31 March 2017.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the Share Offer been completed as at 31 March 2017 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2017 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2017	Add: Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on the Offer Price of HK\$0.43 per Share	41,603	40,956	82,559	0.14
Based on the Offer Price of HK\$0.49 per Share	41,603	49,236	90,839	0.15

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The unadjusted audited combined net tangible assets attributable to the owners of the Company is based on the audited combined net assets of the Group attributable to the owners of the Company of approximately HK\$41,603,000 as at 31 March 2017 as set out in the Accountants' Report in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer is based on the issue of 150,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$0.43 and HK\$0.49 per Offer Share respectively, after deduction of the estimated underwriting commissions and other listing expenses (excluding listing expenses of approximately HK\$5,099,000 which have been accounted for prior to 31 March 2017).
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that 600,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" in this prospectus but does not take into account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the issuing mandate and the repurchase mandate.
4. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group to owner of the Company as at 31 March 2017 to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

19 September 2017

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF NOBLE ENGINEERING GROUP HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Noble Engineering Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets as at 31 March 2017 (the “**Unaudited Pro Forma Financial Information**”) and related notes as set out in Section A of Appendix II to the prospectus issued by the Company dated 19 September 2017 (the “**Prospectus**”). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed offering of the shares of the Company (the “**Share Offer**”) on the Group’s financial position as at 31 March 2017 as if the Share Offer had taken place at 31 March 2017. As part of this process, information about the Group’s financial information has been extracted by the directors from the Group’s financial information for the year ended 31 March 2017, on which an accountants’ report has been published.

Directors’ responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**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 (“**HKICPA**”).

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 accountants' responsibility

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in 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 March 2017 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hui Chun Keung, David
Practising Certificate Number: P05447
Hong Kong

authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed

to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors***(i) Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

APPENDIX III **SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on

terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(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 uncalled capital of the Company and, subject to the Cayman Companies Law, to

issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above.

Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary

relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(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, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(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 shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on

which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) 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, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of

the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 12 April 2017 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 9 May 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to 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.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law on 12 April 2017. On 18 August 2017, our Company changed its name from Noble Engineering Holdings Limited (高豐工程控股有限公司) to Noble Engineering Group Holdings Limited (怡康泰工程集團控股有限公司). Our Company has established a principal place of business in Hong Kong at Room 809, 8/F., Cheung Sha Wan Plaza, Tower II, 833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong and was registered as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on 31 May 2017. In connection with such registration, Ms. Tse of Flat A, 46/F., Tower 1, Bellagio, 33 Castle Peak Road, New Territories, Hong Kong has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises of the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an initial authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares with par value of HK\$0.01 each. On 12 April 2017, one nil-paid subscriber Share was allotted and issued to the initial subscriber of our Company, which was subsequently transferred to Land Noble on the same date.
- (b) On 6 September 2017, each of Mr. Eric Tse and Mr. CK Tse transferred one ordinary share (representing 50% of issued share capital) in Noble Wisdom to our Company, in consideration of our Company allotting and issuing 9,999 new Shares to Land Noble, all credited as fully paid, and crediting as fully paid at par the one nil-paid Share held by Land Noble, the instructions of Mr. Eric Tse and Mr. CK Tse.
- (c) Pursuant to the written resolutions of our then sole Shareholder passed on 14 September 2017, the authorised share capital of our Company was increased from HK\$100,000 divided into 10,000,000 ordinary shares of par value HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 ordinary shares of par value HK\$0.01 each, by the creation of an additional 1,490,000,000 Shares.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer, the authorised share capital of our Company will be HK\$15,000,000 divided into 1,500,000,000 Shares and the issued share capital of our Company will be HK\$6,000,000 divided into 600,000,000 Shares fully paid or credited as fully paid, and 900,000,000 Shares will remain unissued. Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraph headed

“3. Resolutions in writing of the sole Shareholder passed on 14 September 2017” in this Appendix and the allotment and issue of Shares pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in its general meeting, 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 our Company’s share capital since its incorporation.

3. Resolutions in writing of the sole Shareholder passed on 14 September 2017

Pursuant to the resolutions in writing passed by the then sole Shareholder on 14 September 2017, among other matters:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) our Company increased its authorised share capital from HK\$100,000 divided into 10,000,000 ordinary shares of par value HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 ordinary shares of par value HK\$0.01 each by the creation of 1,490,000,000 additional ordinary shares of par value HK\$0.01 each, each ranking pari passu in all respects with the Shares in issue at the date of passing of these resolutions;
- (c) conditional on (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM; (ii) the Price Determination Agreement having been executed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company and becoming effective on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, 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 the 30th day after the date of this prospectus;
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the new Shares under the Share Offer;
 - (ii) the rules of the Share Option Scheme be approved and adopted and the Directors be authorised, at their absolute discretion but subject to the terms and conditions of the Share Option Scheme, to administer the Share Option Scheme, to grant options to subscribe for Shares thereunder and, to allot, issue and deal with the Shares pursuant to the exercise of subscription rights

attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise a sum of HK\$4,499,900 (or any such amount any one Director may determine) standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 449,990,000 Shares (or any such number of Shares any one Director may determine) for allotment and issue to the Shareholder(s) whose name(s) appear on the register of members or the principal share register of our Company at the close of business on 14 September 2017 (or as each of them may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their respective shareholdings in our Company, and the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;
- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, the exercise of the Offer Size Adjustment Option or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue, Shares or securities convertible into Shares with a total number of not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme); and (bb) the total number of Shares which may be purchased by our Company pursuant to the authority granted to our Directors in paragraph (v) below, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (iv), whichever occurs first; and
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase on GEM the Shares with a total number of not exceeding 10% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options 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 date by which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (v), whichever occurs first.

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. Please see the section headed "History, Development and Reorganisation – Reorganisation" for further details.

5. Changes in share capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report, we do not have any other subsidiary. Save as disclosed in the section headed "History, Development and Reorganisation", there has been no changes to the share capital made by our subsidiaries during the two years preceding the date of this prospectus.

6. Repurchase of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our then sole Shareholder on 14 September 2017, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued upon the exercise of the Offer Size Adjustment Option and exercise of any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by

the Articles or any applicable laws to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority given to our Directors.

(ii) Source of funds

Any repurchase of securities by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules.

Any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of either or both of the profits of our Company or our Company's share premium account, before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

Our Company may not repurchase its own Shares 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.

(iii) Connected parties

Our Company is prohibited from knowingly repurchasing the Shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), which by definition includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them, and a core connected person shall not knowingly sell Shares to our Company on GEM.

(iv) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the SFC and the Stock Exchange up to a maximum of 10% of the number of issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on 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 that company as required and determined by the Stock Exchange. A company shall not repurchase

its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM.

(v) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled and the certificates of the relevant securities must be cancelled and destroyed. Under Cayman Islands law, shares repurchased by a Cayman Islands company may be treated as cancelled and, if so cancelled, the amount of the company's issued share capital shall be reduced by the number of the repurchased shares accordingly although the authorised share capital of the company will not be taken as reduced.

(vi) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half year, quarter-year period or any other interim period (whether or not required by the GEM Listing Rules); and (2) the deadline for our Company to publish an announcement of its results for any year, or half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and in each case ending on the date of the results announcement, our Company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if our Company has breached the GEM Listing Rules.

(vii) Reporting requirements

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange Business Day following any day on which our Company may make a purchase of Shares, reporting total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. Our Company shall make arrangements with its broker who effects the purchase to

provide our Company in a timely manner the necessary information in relation to the purchase made on behalf of the company to enable our Company to report to the Stock Exchange.

(b) *Exercise of the Repurchase Mandate*

The exercise in full of the Repurchase Mandate, on the basis of 600,000,000 Shares in issue immediately after the listing of the Shares on the Stock Exchange, would result in up to 60,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have general authority from our Shareholders to enable our Company 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 if our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(d) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Companies Law, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules) currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

No core connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

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 of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) 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 the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

7. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the agreement for sale and purchase dated 10 May 2017 entered into between Mr. Eric Tse and Mr. CK Tse as vendors and Noble Wisdom as purchaser, pursuant to which Mr. Eric Tse and Mr. CK Tse agreed to sell, and our Company agreed to purchase, an aggregate of 10,000,000 shares of Eric Tse Cement Works, representing its entire issued share capital, at the consideration of HK\$41,500,000, which consideration was satisfied by the allotment and issue of one new ordinary share and one new ordinary share of Noble Wisdom, credited as fully paid, to Mr. Eric Tse and Mr. CK Tse, respectively;
- (b) the agreement for sale and purchase dated 6 September 2017 entered into between Mr. Eric Tse and Mr. CK Tse as vendors and our Company as purchaser, pursuant to which Mr. Eric Tse and Mr. CK Tse agreed to sell, and our Company agreed to purchase, an aggregate of four shares of Noble Wisdom, representing its entire issued share capital, which consideration was satisfied by our Company (i) allotting and issuing 9,999 new Shares to Land Noble, credited as fully paid; and (ii) crediting as fully paid at par one nil-paid Share held by Land Noble, at the instructions of Mr. Eric Tse and Mr. CK Tse;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-competition; and

(e) the Public Offer Underwriting Agreement.

8. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had not applied for registration of or registered any trademark.

(b) Domain name

As at the Latest Practicable Date, our Group was the registered owner of the following domain names, which are material to our Group's business:

Domain name	Registrant	Expiry date
nobleengineering.com.hk	Eric Tse Cement Works	23 March 2018

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

9. Directors

(a) Particulars of Directors' service contracts

Each of our executive Directors has entered into a service contract with our Company on 14 September 2017. The principal particulars of these service contracts are (a) each of them agreed to act as an executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' written notice served by either party on the other, and (b) is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles. Each of Mr. Eric Tse and Mr. CK Tse (our executive Directors) is entitled to a fixed basic annual salary of HK\$840,000 as remuneration and director's fee for his services and Ms. Tse (our executive Director) is entitled to a fixed basic annual salary of HK\$480,000 as remuneration and director's fee for her services. Our Board shall have a complete discretion whether to grant any increase in the salary and any increase so granted shall take effect from such date as our Board may specify. In addition, each of our executive Directors is also entitled to a discretionary management bonus for the financial year ending 31 March 2018 and onwards as may be determined by our Board at its sole discretion. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him/her.

Each of our independent non-executive Directors has signed an appointment letter with our Company on 14 September 2017. The principal particulars of these appointment letters are (a) each of them agreed to act for an initial term of one year commencing from the Listing Date with a director's fee of HK\$180,000 per annum,

which may be terminated by not less than one month' written notice served by either party on the other, and (b) is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

Save as aforesaid, none of our Directors has or is proposed to have a service contract or an appointment letter with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(b) Remuneration of Directors

- (i) The annual salaries of our executive Directors and the annual director's fees of our independent non-executive Directors are as follows:

Name	Annual amount (HK\$)
<i>Executive Directors</i>	
Mr. Eric Tse (謝振源)	840,000
Mr. CK Tse (謝振乾)	840,000
Ms. Tse (謝鳴禧)	480,000
<i>Independent non-executive Directors</i>	
Mr. Wong Yiu Kwong Kenji (黃耀光)	180,000
Ms. Chung Lai Ling (鍾麗玲)	180,000
Mr. Tang Chi Wai (鄧智偉)	180,000

- (ii) The executive Directors may be granted a discretionary management bonus for the financial year ending 31 March 2018 and onwards at the sole discretion of our Board.
- (iii) For the years ended 31 March 2016 and 2017, the aggregate of the remuneration (including salaries and allowance, if any) paid and benefits in kind granted by our Group to our Directors was approximately HK\$1.4 million and HK\$1.5 million, respectively.
- (iv) Under the arrangements currently in force at the date of this prospectus, the aggregate of the remuneration (excluding discretionary bonus) payable by our Company and other members of our Group to, and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 31 March 2018, are expected to be approximately HK\$2.5 million.

- (v) No amount was paid to, or receivable by, our Directors, for each of the two financial years of our Company immediately preceding the issue of this prospectus as an inducement to join or upon joining our Company.
- (vi) No compensation was paid to, or receivable by, our Directors (including past Directors) for each of the two financial years of our Company immediately preceding the issue of this prospectus for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (vii) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two financial years of our Company immediately preceding the issue of this prospectus.

(c) Interests and short positions of Directors and chief executive in the Shares, underlying shares or debentures of our Company and its associated corporations

Immediately following the completion of the Capitalisation Issue and the Share Offer but without taking into account the allotment and issue of any Shares upon the exercise of the Offer Size Adjustment Option and the exercise of options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (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 (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held immediately after completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately after completion of the Capitalisation Issue and the Share Offer
Mr. Eric Tse <i>(Note 1)</i>	Interest in a controlled corporation; interest held jointly with another person	450,000,000	75%

Name of Director	Capacity/Nature of interest	Number of Shares held immediately after completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately after completion of the Capitalisation Issue and the Share Offer
Mr. CK Tse (Note 1)	Interest in a controlled corporation; interest held jointly with another person	450,000,000	75%

Notes:

- Land Noble is beneficially owned as to 50% by Mr. Eric Tse and 50% by Mr. CK Tse. On 9 May 2017, Mr. Eric Tse and Mr. CK Tse entered into the Acting in Concert Confirmation to acknowledge and confirm, among other things, that they are parties acting in concert during the Track Record Period and that to continue to act in the same manner in our Group upon the Listing. For details, please refer to the section headed "Relationship with our Controlling Shareholders – Acting in Concert Confirmation". By virtue of the SFO, Mr. Eric Tse and Mr. CK Tse are deemed to be interested in the Shares held by Land Noble.

(ii) Long position in the ordinary shares of associated corporation

Name	Name of associated corporation	Capacity/Nature of interest	Number of share(s) held	Percentage of interest
Mr. Eric Tse (Note 1)	Land Noble	Beneficial owner	1	50%
Mr. CK Tse (Note 1)	Land Noble	Beneficial owner	1	50%

Note:

- Land Noble is the direct Shareholder of our Company and is an associated corporation within the meaning of Part XV of the SFO.

10. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer but without taking into account the allotment and issue of any Shares upon the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme, the following persons/entities (not being our Directors or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under

section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name	Capacity/Nature of interest	Number of Shares held immediately after completion of the Capitalisation Issue and the Share Offer (long position)	Percentage of shareholding immediately after completion of the Capitalisation Issue and the Share Offer
Land Noble	Beneficial owner	450,000,000	75%
Ms. Or So Lan (<i>Note 1</i>)	Interest of spouse	450,000,000	75%
Ms. Yapp Ngi Yang (<i>Note 1</i>)	Interest of spouse	450,000,000	75%

Note:

- Ms. Or So Lan is the spouse of Mr. Eric Tse. Accordingly, Ms. Or is deemed to be interested in the Shares interested by Mr. Eric Tse for the purposes of the SFO. Ms. Yapp Ngi Yang is the spouse of Mr. CK Tse. Accordingly, Ms. Yapp is deemed to be interested in the Shares interested by Mr. CK Tse for the purposes of the SFO.

11. Disclaimers

Save as disclosed in this prospectus:

- taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in our Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group;
- none of our Directors or chief executive of our Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in our Shares, underlying Shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our

Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once our Shares are listed on the Stock Exchange;

- (c) none of our Directors nor the experts named in the paragraph headed “20. Qualifications and consents of experts” below has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for Offer Shares either in his/her own name or in the name of a nominee;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (e) none of the experts named in the paragraph headed “20. Qualifications and consents of experts” below has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group or is an officer or a servant or partner of or in the employment of an officer or a servant of our Group.

OTHER INFORMATION

12. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Board and the written resolutions of our then sole Shareholder on 14 September 2017.

For the purpose of this section, the following expressions have the meanings set out below unless context otherwise requires:

“Adoption Date”	means 14 September, the date on which the Share Option Scheme is conditionally adopted by our Company by the written resolutions of the Shareholders;
“Board”	means our Board from time to time or a duly authorised committee thereof;
“Eligible Employee”	means any employee (whether full time or part time employee, including any executive Directors) of our Company, any of its subsidiaries and any Invested Entity;

“Grantee”	means any Participant who accepts the offer of the grant of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal representative of such person;
“Group”	means our Company and its subsidiaries from time to time and “member(s) of our Group” shall be construed accordingly;
“Invested Entity”	means any entity in which our Group holds any equity interest;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme and for the time being subsisting;
“Option Period”	means in respect of any particular Option, such period as our Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and that our Board may at its discretion determine the minimum period for which the Option has to be held before the exercise of the Option;

- “Participant” means any person belonging to any of the following classes of participants:
- (a) any Eligible Employee;
 - (b) any non-executive director (including independent non-executive directors) of our Company, any of its subsidiaries or any Invested Entity;
 - (c) any supplier of goods or services to any member of our Group or any Invested Entity;
 - (d) any customer of our Group or any Invested Entity;
 - (e) any person or entity that provides research, development or other technological support to our Group or any Invested Entity;
 - (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
 - (g) any adviser (professional or otherwise) or consultant to any area of business or business development of our Group or any Invested Entity; and
 - (h) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of our Group, and for the purposes of the Share Option Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust; and
- “Scheme Period” means a period commencing on the Adoption Date and ending on the tenth anniversary of the Adoption Date (both dates inclusive).

(a) Purpose of Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any Invested Entity.

(b) Who may join

Subject to Share Option Scheme and the GEM Listing Rules, our Board shall be entitled at any time and from time to time within the Scheme Period to offer to grant to any Participant as our Board may in its absolute discretion select, and subject to such conditions as our Board may think fit, an Option to subscribe for such number of Shares as our Board may determine at a price calculated in accordance with sub-paragraph (d) below.

Upon acceptance of an offer for grant of Option(s), the Participant shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date of the grant.

(c) Grant of option and acceptance of offer

No offer of grant of Options shall be made where inside information has come to our Company's knowledge until an announcement of such inside information has been published in accordance with the GEM Listing Rules and/or Part XIVA of the SFO. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approval of the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to publish an announcement of the results for any year, half year or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the announcement of the results, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement. Our Board may not grant any option to a Participant who is a Director during the periods or times in which such Directors are prohibited from dealing in the Shares prescribed by Rules 5.48 to 5.67 of the GEM Listing Rules or any corresponding codes or securities dealing restrictions adopted by our Company.

No Participant shall be granted Options which if exercised in full would result in the total number of Shares already issued under all the Options granted to him which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of Shares in issue, provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, our Company may make further grant of Options to such Participant (the "Further Grant") notwithstanding that

the Further Grant would result in the total number of Shares already issued under all the Options granted to such Participant which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of Shares in issue. In such circumstances, we must send a circular to the Shareholders and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted and Options previously granted to such Participant and all the information required under the GEM Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Participant must be fixed before the Shareholders' approval and the date of the meeting of our Board for proposing such further grant of Option should be taken as the date of grant for the purpose of calculating the relevant subscription price.

Unless our Board otherwise determined and stated in the offer of the grant of Options to a Participant, a Grantee is not required to achieve any performance target before any Options granted under the Share Option Scheme can be exercised.

(d) Price of Shares

The subscription price for the Shares subject to any particular Option shall be such price as determined by our Board in its absolute discretion at the time of the grant of the relevant Option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the Option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the Option; and (iii) the nominal value of a Share.

For the purpose of determining the relevant subscription price where the Shares have been listed on the Stock Exchange for less than five trading days preceding the date of the grant of the Option, the issue price of the Shares shall be deemed to be the closing price of the Shares on the Listing Date for any trading day falling within the period before the Shares are listed on the Stock Exchange.

(e) Maximum amount of Shares

- (i) The total number of Shares which may be issued upon exercise of all Options (excluding for this purpose Options which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue on the Listing Date. On the basis of 600,000,000 Shares in issue on the Listing Date, the limit will be equivalent to 60,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Our Company may refresh the 10% limit by seeking prior approval from Shareholders in a general meeting, provided that the total number of Shares which may be issued upon exercise of all Options and any other share option

schemes of our Company, in aggregate, must not exceed 10% of the total number of Shares in issue as at the date of such Shareholders' approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme) will not be counted for the purpose of calculating the refreshed limit.

- (iii) Our Company may also grant Options beyond the 10% limit by seeking Shareholders' approval in a general meeting, provided that the Grantee(s) of such Option(s) must be specifically identified by our Company before such approval is sought. In such event, our Company shall send a circular to its Shareholders containing a generic description of the specified Grantees who may be granted such Options, the number and terms of such Options to be granted, the purpose of granting such Options, an explanation as to how the terms of the Options serve such purpose and the information required by the GEM Listing Rules.
- (iv) Notwithstanding the foregoing, our Company must not grant any options if the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company, exceed 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.
- (v) The exercise of any Option(s) shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of Shares upon exercise of Options.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by our Board absolutely, provided that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme. Our Board may, at its discretion, determine the minimum period for which the Option has to be held before the Option can be exercised.

The exercise of any Option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of shares upon exercise of options.

(g) Rights are personal to grantee

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Grantee shall entitle us to cancel any outstanding Option or part thereof granted to such Grantee (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

If a Grantee dies before exercising the Options in full, his legal personal representative(s) may exercise the Options in whole or in part (to the extent that it has become exercisable and not already exercised prior to such date of death) within a period of 12 months from the date of death, failing which such Option will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganisation of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made in:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
- (ii) the subscription price; and/or
- (iii) the method of exercise of the Option; and/or
- (iv) the maximum number of Shares referred in sub-paragraph (e) above and the Further Grant referred in sub-paragraph (c) above.

Our Company's independent financial adviser or auditors shall certify in writing to our Board as to whether the corresponding alterations are in their opinion fair and reasonable. Any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such alteration shall remain the same as that to which he was entitled to before such alteration and that the aggregate subscription price payable by a Grantee on the full exercise of any Option shall remain as close as possible (but shall not be greater than) as it was before such event. No such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group for cash or as consideration in a transaction.

The capacity of our Company's auditors and independent financial advisers is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and binding on our Company and the Participants. The cost of our independent financial advisers and the auditors shall be borne by us.

(j) *Rights on take-over*

In the event of a general or partial offer (whether by way of take-over offer, merger, share repurchase offer, or privatisation proposed by scheme of arrangement or otherwise in like manner), is made to all Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror, we shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to us in exercise of the Option at any time with 14 days after the date on which such offer becomes or is declared unconditional.

(k) *Rights on a compromise or arrangement*

- (i) In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, we shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Grantees and thereupon, each Grantee, subject to the provisions of all applicable laws (or where permitted under sub-paragraph (h) above, and his legal personal representative(s)) shall be entitled to exercise all or any of his Options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to us, 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 we shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.
- (ii) In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, we shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any Grantee (or

where permitted under sub-paragraph (h) above his legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court be entitled to exercise his Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. We may thereafter require such Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his Option so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(l) Rights of Grantee ceasing to be a Participant

In the event of the Grantee ceasing to be a Participant for any reason other than his death or termination of his employment on one or more of the grounds specified in the sub-paragraph (m)(iv) below, then, if the Option Period has not at the date of such cessation commenced, the Option shall lapse and if the Option Period has commenced, the Grantee may exercise the Option in accordance with the Share Option Scheme, up to his entitlement at the date of cessation in whole or in part (to the extent which has become exercisable and not already exercised) which date shall be the last actual working day with our Company or the relevant subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as our Board may determine.

(m) Lapse of Option

An Option shall lapse automatically and shall cease to be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period (subject to the provisions of the Share Option Scheme);
- (ii) the expiry of any periods referred to in paragraphs (h) and (l);
- (iii) the date on which the offer (or the case may be, revised offer) referred to in subparagraph (j) above closes;
- (iv) subject to sub-paragraph (k)(i) above, the date of the commencement of the winding-up of our Company;
- (v) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other

ground on which an employer would be entitled to terminate his employment summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary or the relevant Invested Entity. A resolution of our Board or the board of directors of the relevant subsidiary or the board of directors of the relevant Invested Entity to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee;

- (vi) subject to sub-paragraph (k)(ii) above, the date when the proposed compromise or arrangement becomes effective;
- (vii) the date on which the Grantee commits a breach of sub-paragraph (g) above;
or
- (viii) if our Directors at their absolute discretion determine that the Grantee (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the Grantee or his associate on the one part and our Group or any Invested Entity on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, our Directors shall determine that the outstanding Options granted to the Grantee (whether exercisable or not) shall lapse. In such event, his Options will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

(n) *Ranking of Shares*

Shares allotted and issued upon exercise of an Option will be subject to all provisions of our Company's articles of associations amended from time to time and will carry the same rights in all respects with the existing fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date when the name of the Grantee is registered on the register of members of our Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the Grantee is registered on the register of members of our Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of our Company is closed then the exercise of the Option shall become effective on the first Business Day in Hong Kong on which the register of members of our Company is re-opened. A Share allotted upon exercise of an Option shall not carry any voting right until the completion of the registration of the Grantee as the holder thereof.

(o) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be subject to the prior written consent of the relevant Grantee and approval of our Directors.

Where our Company elects to cancel Options and issue new ones to the same Grantee, the issue of such new Options may only be made under a scheme with available unissued Options (excluding cancelled Options) within the limit approved by the Shareholders.

(p) The Scheme Period

Subject to the termination of the Share Option Scheme, the Share Option Scheme will be valid and effective for the Scheme Period, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the Scheme Period and remain unexercised immediately prior to the end of the Scheme Period shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the Share Option Scheme.

(q) Alteration and termination of Share Option Scheme

The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of participants except (i) with the approval of the Shareholders in general meeting; or (ii) where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Board in relation to any alteration to the term of the Share Option Scheme shall be approved by the Shareholders in general meeting except where the alteration take effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules and no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to options granted under the Share Option Scheme and provided further that any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange.

Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

Our Company, by ordinary resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered. On termination, the provision of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provision of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(r) Granting of option to a Director, chief executive of our Company or substantial Shareholder or any of their associates

Where options are proposed to be granted to a Director, chief executive of our Company or substantial Shareholder, or any of their respective associates, the proposed grant must comply with the requirements of Rule 23.04(1) of the GEM Listing Rules and be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial Shareholder or an independent non-executive Director or their respective associates will result in the Shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled or 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% of the relevant class of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5.0 million, then the proposed grant of options must be approved by the Shareholders in a general meeting. At such general meeting, the grantee, his associates and all core connected persons of our Company must abstain from voting, unless they intend to vote against the proposed grant and provided that his intention to do so has been stated in the circular. Our Company will send a circular to our Shareholders containing all the information required under the GEM Listing Rules, including (i) details of the number and terms of the Options (including the Option period, performance targets (if any), basis of determination of subscription price and the rights attached to the Shares or the Option) to be granted to each substantial Shareholder or independent non-executive Director, or any of their respective associates, which must be fixed before the Shareholders meeting, and the date of our Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price; (ii) a recommendation from the

independent non-executive Directors (excluding any independent non-executive Director who is a Grantee of the Options) to the independent Shareholders as to voting; and (iii) all other information as required by the GEM Listing Rules.

In addition, any change in the terms of the Option granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates must also be approved by the Shareholders in a general meeting.

The requirements for the grant of an option to a Director or chief executive of our Company set out in Rules 23.04(1), (2) and (3) shall not apply where the proposed grantee is only a proposed Director or chief executive of our Company.

(s) Conditions of Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting approval of the listing of and permission to deal in the Shares which fall to be issued upon exercise of the Options granted under the Share Option Scheme; and (ii) the commencement of dealings in the Shares on the GEM of the Stock Exchange.

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of Options under Share Option Scheme and listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under the Share Option Scheme.

13. Tax and other indemnities

Mr. CK Tse and Mr. Eric Tse (collectively the “**Indemnifiers**”) have pursuant to the Deed of Indemnity, on a joint and several basis, given indemnities to our Company for ourselves and as trustee for other members of our Group in connection with, among other things:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of the death of any person and by reason of any transfer of any property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing Date;
- (b) taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received or entered into (or deemed to be so earned, accrued, received or entered into) on or before the Listing Date or any event or transaction on or before the

Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company;

- (c) all reasonable costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group may properly incur in connection with:
 - (i) the investigation, assessment or contesting of any claim under (b) above; (ii) the settlement of any claim under the Deed of Indemnity;
 - (ii) any legal or arbitration proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgement, award or decision is given in favour of any member of our Group; or
 - (iii) the enforcement of any such settlement or decision or judgement or award;
- (d) any and all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any violations or breaches or non-compliance of any laws, rules or regulations and/or all litigations, arbitrations, claims, complaints, demands and/or legal proceedings by or against any of the member of our Group in Hong Kong, the PRC, the Cayman Islands, BVI or any other part of the world, which was issued, accrued and/or arising from any act of any of the member of our Group at any time on or before the Listing Date, including but not limited to our Group's non-compliance matters occurred during the Track Record Period.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for any taxation, liability or claims mentioned in the four paragraphs immediately above where:

- (a) to the extent that provision has been made for such taxation, liabilities or claim in the audited accounts of any member of our Group up to 31 March 2017;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 31 March 2017 and ending on the Listing Date, unless such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets before the Listing Date; or

- (ii) carried out, made or entered into pursuant to a legally binding commitment created before the Listing Date or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect;
- (d) to the extent that such taxation is discharged prior to the Listing Date by another person who is not a member of our Group and that none of the members of our Group is required to reimburse such person in respect of the discharge of the taxation; or
- (e) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 March 2017 and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

14. Litigation

Save as disclosed in this prospectus, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

15. Agency fees or commissions received

Except as disclosed in the section headed "Underwriting – Undertakings pursuant to the Public Offer Underwriting Agreement – Total commission, fee and expenses", no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

16. Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to (a) the Capitalisation Issue; (b) the exercise of

the Offer Size Adjustment Option and (c) the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the Listing Date. The Sole Sponsor is entitled to sponsor's fee in the amount of HK\$5.0 million.

The Sole Sponsor has confirmed that it satisfies the independence criteria applicable to sponsor set forth in Rule 6A.07 of the GEM Listing Rules.

17. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Kingsway Capital Limited as its compliance adviser to provide consultancy services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year ending 31 March 2020.

18. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately US\$4,300 (equivalent to approximately HK\$33,540) and are payable by our Company.

19. Promoters

Our Company has no promoter. Within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Share Offer or the related transactions described in this prospectus.

20. Qualifications and consents of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Kingsway Capital Limited	A corporation licenced by the SFC to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Appleby	Cayman Islands legal adviser to our Company
Chan Chung	Barrister-at-law of Hong Kong
Frost & Sullivan International Limited	Industry Consultant
CT Partners Consultants Limited	Internal Control Consultant
Garron Holdings Limited	Safety Consultant
Wong Ka Man	Safety Auditor
Prism CPA Limited	Certified Public Accountants

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

21. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

22. 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 (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

23. Taxation of holders of Shares

(a) Hong Kong

(i) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged on each of the purchaser and seller at the current rate of 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111, Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of shares whose death occurs on or after 11 February 2006.

(b) The Cayman Islands

Under the Cayman Islands law currently in force, no stamp duty is payable in the Cayman Islands on transfers of our Shares except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. 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 the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

24. Miscellaneous

(a) Save as disclosed herein:

(i) within the two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no share, warrant 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;

(cc) our Company has no outstanding convertible debt securities; and

- (dd) no founder, management or deferred shares or any debentures (including convertible bonds) of our Company have been issued or agreed to be issued;
 - (ii) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up);
 - (iii) there has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus;
 - (iv) none of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or submission to deal being or proposed to be sought;
 - (v) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
 - (vi) there are no arrangements under which future dividends are waived or agreed to be waived; and
 - (vii) all necessary arrangements have been made to enable the Shares to be admitted into CCASS;
- (b) Subject to the provisions of the Companies Law, the principal share register of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch share register of our Company will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited. Unless our Board otherwise agree, all transfers and other documents of title of our Shares must be lodged for registration with and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of **WHITE** and **YELLOW** Application Forms; (ii) the written consents referred to in the paragraph headed “20. Qualifications and consents of experts” in Appendix IV to this prospectus; and (iii) copies of the material contracts referred to in the paragraph headed “7. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Guantao & Chow Solicitors and Notaries at Suites 1604-6, 16th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report of our Group prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies now comprising our Group for each of the years ended 31 March 2016 and 31 March 2017 (or for the period since their respective dates of incorporation/establishment where it is shorter);
- (d) the report on unaudited pro forma financial information of our Group issued by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the industry report prepared by Frost & Sullivan referred to in the section headed “Industry Overview” of this prospectus;
- (f) the letter prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the Companies Law;
- (h) the service contracts and appointment letters referred to in the paragraph headed “9. Directors – (a) Particulars of Directors’ service contracts” in Appendix IV to this prospectus;
- (i) the rules of the Share Option Scheme referred to in the paragraph headed “12. Share Option Scheme” in Appendix IV to this prospectus;
- (j) the material contracts referred to in the paragraph headed “7. Summary of material contracts” in Appendix IV to this prospectus;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- (k) the written consents referred to in the paragraph headed “20. Qualifications and consents of experts” in Appendix IV to this prospectus;
- (l) the legal opinions dated the date of this prospectus issued by Mr. Chan Chung, our Hong Kong Legal Counsel;
- (m) the internal control report prepared by the IC Adviser;
- (n) safety review report made by the Safety Consultant;
- (o) safety management audit report made by the Safety Auditor; and
- (p) the letter of tax advice regarding the tax computation of Eric Tse Cement Works issued by the Tax Adviser.



Noble Engineering Group Holdings Limited
怡康泰工程集團控股有限公司