

POLYFAIR

寶發控股有限公司

POLYFAIR HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8532

SHARE OFFER

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Co-Lead Manager



IMPORTANT

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

POLYFAIR

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(Incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares	: 200,000,000 new Shares
Number of Public Offer Shares	: 20,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 180,000,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$0.35 per Offer Share and expected to be not less than HK\$0.25 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full upon application in Hong Kong dollars and subject to refund)
Nominal Value	: HK\$0.01 each
Stock Code	: 8532

Sole Sponsor



耀盛資本
SUNFUND CAPITAL

Joint Bookrunners and Joint Lead Managers



華邦證券有限公司
Huabang Securities Limited



新城晉峰證券有限公司
FUTURE LAND RESOURCES SECURITIES LIMITED

Co-Lead Manager



耀盛證券
SUNFUND SECURITIES

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

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

The Offer Price is expected to be determined by agreement between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is scheduled on or about Wednesday, 7 February 2018, or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Offer Price will be not more than HK\$0.35 per Offer Share and is currently expected to be not less than HK\$0.25 per Offer Share unless otherwise announced. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. If this occurs, notice of reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange's website at www.hkexnews.hk.

If, for any reason, the Offer Price is not agreed between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters) by Wednesday, 7 February 2018, or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse.

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

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

Prospective investors of the Offer Shares should note that any of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Underwriters) may in its absolute discretion, upon giving notice in writing to our Company, terminate the Underwriting Agreements with immediate effect if any of the events set forth under the section headed "Underwriting – Underwriting arrangements and expenses – Grounds for termination" of this prospectus occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Sponsor or the Joint Bookrunners (for themselves and on behalf of the Underwriters) terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" of this prospectus. It is important that prospective investors refer to that section for further details.

31 January 2018

CHARACTERISTICS OF GEM

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

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on companies listed on GEM.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, our Company will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.polyfaircurtainwall.com.hk.

2018^(Note 1)

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at www.hkeipo.hk ^(Note 2)	11:30 a.m. on Monday, 5 February
Application lists of the Public Offer open ^(Note 3)	11:45 a.m. on Monday, 5 February
Latest time to lodge WHITE and YELLOW Application Forms and to give electronic application instructions to HKSCC ^(Note 4)	12:00 noon on Monday, 5 February
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, 5 February
Application lists of the Public Offer close ^(Note 3)	12:00 noon on Monday, 5 February
Expected Price Determination Date ^(Note 5)	Wednesday, 7 February
Announcement of (i) the final Offer Price; (ii) the level of indication of interest in the Placing; (iii) the level of applications in the Public Offer; (iv) the basis of allocation of the Public Offer Shares; and (v) the number of Offer Shares reallocated, if any, between the Public Offer and the Placing to be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.polyfaircurtainwall.com.hk on or before	Thursday, 22 February
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 as described in the section "How to apply for the Public Offer Shares – 11. Publication of results" from	Thursday, 22 February
Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function from	Thursday, 22 February
Despatch/collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before ^(Note 7)	Thursday, 22 February
Despatch/collection of refund cheques and HK eIPO White Form e-Auto Refund payment instructions in respect of partially successful (in the event that the final Offer Price is less than the price payable on application) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before ^(Note 8)	Thursday, 22 February
Dealing in the Shares on the GEM to commence at	9:00 a.m. on Friday, 23 February

EXPECTED TIMETABLE

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including the conditions of the Public Offer, are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.polyfaircurtainwall.com.hk.
2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 5 February 2018, the application lists will not open and close on that day. Please refer to the section headed “How to apply for the Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” of this prospectus. If the application lists do not open and close on Monday, 5 February 2018, the dates mentioned in this section may be affected. An announcement will be made by us in such event on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.polyfaircurtainwall.com.hk.
4. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for the Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS” of this prospectus.
5. The Price Determination Date is expected to be on or about Wednesday, 7 February 2018 or such later date or time as agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). If, for any reason, the Offer Price is not agreed between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters) by Wednesday, 7 February 2018, or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse.
6. Share certificates for the Offer Shares are expected to be issued on Thursday, 22 February 2018 but will only become valid certificates of title at 8:00 a.m. on Friday, 23 February 2018 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. If the Share Offer does not become unconditional or any of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.
7. Applicants who apply for 1,000,000 Public Offer Shares or more may collect share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 22 February 2018 or any other date as notified by us as the date of despatch of share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants’ own risk. Further information is set out in the section headed “How to apply for the Public Offer Shares” of this prospectus.
8. **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the price payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to apply for the Public Offer Shares” of this prospectus.

EXPECTED TIMETABLE

Share certificates for the Offer Shares are expected to be issued on Thursday, 22 February 2018 but will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

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

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Joint Bookrunners, the Co-Lead Manager and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Co-Lead Manager, the Underwriters, and any of our/their respective directors, officers, employees, agents or representatives or any other party involved in the Public Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised in the section headed “Risk factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

We are a subcontractor that provides façade and curtain wall works solutions in Hong Kong. Our solutions, covering design and project management services, are customised to meet the technical specifications and performance requirements of our customers. Our design services generally include developing designs, conducting structural calculations and preparing shop drawings, while our project management services generally include sourcing and procuring building materials, arranging for building material logistics and installation works, on-site project management and post-project completion services. We engage subcontractors to perform the installation work from time to time. Prior to the establishment of our in-house design department in March 2017, we mainly provided project management services and engaged subcontractor to perform the design work under supervision of our in-house designers and we subcontracted all installation works of our projects during the Track Record Period. After we established our in-house design department in March 2017, we handle the design work of all our projects. We continue to provide project management services and only subcontract the installation works. Our works mainly apply to commercial buildings and residential buildings. Since our establishment in 2006, we have completed façade and curtain wall works for over 20 projects, covering both commercial and residential buildings. We have also undertaken a project for a large-scale residential complex, namely the Victoria Skye located in the Kai Tak district.

According to the Ipsos Report, the façade and curtain wall works industry is considered mature and consolidated with approximately 30 to 40 major companies performing façade and curtain wall works in the industry in 2016. The top five players dominating the façade and curtain wall works industry held approximately 48.8% of the market share, while our Group held approximately 2.1% of the market share, for the year ended 31 March 2017.

During the Track Record Period, all of our projects were obtained from private sector customers, and all our revenue was principally derived from our projects in Hong Kong and denominated in Hong Kong dollars. The following table sets forth a breakdown of our revenue by types of building and the number of projects during the Track Record Period:

	Year ended 31 March						Four months ended 31 July					
	2016			2017			2016			2017		
	Number of projects	HK\$'000	%	Number of projects	HK\$'000	%	Number of projects	HK\$'000 (unaudited)	%	Number of projects	HK\$'000	%
Types of building												
Residential	4	25,020	14.5	9	85,843	78.3	5	27,163	67.7	7	58,065	100.0
Commercial	8	147,009	85.5	5	23,764	21.7	5	12,972	32.3	—	—	—
Total	12	172,029	100.0	14	109,607	100.0	10	40,135	100.0	7	58,065	100.0

SUMMARY

Revenue from commercial building projects represents approximately 85.5%, 21.7% and nil of the total revenue for the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. To secure new projects, we have to go through competitive tendering process and hence the type of building of our projects to be secured may vary from time to time and beyond our control. The primary reasons for the decline are that (i) all of the five commercial building projects we undertaken for the year ended 31 March 2017 were completed in the same year, and up to the end of which all of their revenue had been recognised; and (ii) despite we had tendered for both residential and commercial building potential projects for the year ended 31 March 2017 and the four months ended 31 July 2017, no commercial building project was awarded to us. After the Track Record Period, we have secured three commercial building projects and our Group will continue to tender for both residential and commercial building projects in the future.

The following table sets out a breakdown of our revenue and the number of projects by our role as nominated subcontractor or domestic subcontractor during the Track Record Period:

	Year ended 31 March						Four months ended 31 July					
	2016			2017			2016			2017		
	Number of projects	HK\$'000	%	Number of projects	HK\$'000	%	Number of projects	HK\$'000 (unaudited)	%	Number of projects	HK\$'000	%
Nominated subcontractor	6	131,947	76.7	8	86,231	78.7	6	33,080	82.4	3	37,459	64.5
Domestic subcontractor	6	40,082	23.3	6	23,376	21.3	4	7,055	17.6	4	20,606	35.5
Total	12	172,029	100.0	14	109,607	100.0	10	40,135	100.0	7	58,065	100.0

OUR PROJECTS

Set out below is a breakdown of the number of projects awarded to and completed by our Group during the Track Record Period by amount of contract sum:

Contract sum	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	Number of projects awarded	Number of projects completed	Number of projects awarded	Number of projects completed	Number of projects awarded	Number of projects completed	Number of projects awarded	Number of projects completed
More than HK\$40,000,000	-	-	2	1	1	1	-	-
HK\$20,000,000 to HK\$40,000,000	-	1	2	3	1	2	-	-
Less than HK\$20,000,000	2	2	2	4	-	1	-	-
Total	2	3	6	8	2	4	-	-

SUMMARY

During the Track Record Period, eight projects were awarded to our Group, and we undertook a total of 18 projects, of which 11 were completed. For further details regarding the movement of our projects, please refer to the section headed “Business – Our projects – Movements in the number of our projects during the Track Record Period” of this prospectus. Without considering variation orders, the duration of our projects completed during the Track Record Period generally varied from approximately 14 months to 30 months starting from our Group receiving tender invitations. Such duration depends on the project scale and nature and complexity of works.

As at the Latest Practicable Date, our Group had nine projects in progress with an aggregate original contract sum of approximately HK\$455.4 million and out of which a total revenue of approximately HK\$118.4 million was recognised during the Track Record Period.

OUR COMPETITIVE STRENGTHS

Our Directors believe the competitive strengths which contribute to our continued success and potential for growth include (i) well-established track record in the façade and curtain wall works industry in Hong Kong; (ii) stable business relationships with our major suppliers who could provide building materials and perform installation works with reliable quality; (iii) being a provider of one-stop façade and curtain wall works solutions; (iv) long-term and strong business relationships with some of our major customers; and (v) extensive experience and technical know-how of our management team. Please refer to the section headed “Business – Our competitive strengths” of this prospectus.

OUR STRATEGIES

Our goals are to further strengthen our overall competitiveness and achieve sustainable growth in our business in Hong Kong. To reach the goals, our Directors plan to continue capturing more business opportunities by leveraging on our competitive strengths and experience, and to implement the following strategies:

- Strengthen our financial positions to capture emerging business opportunities by:
 - enlarging our capital base for the issue of surety bonds; and
 - increasing our flexibility in allocating and utilising our financial resources
- Expanding our operation teams to enhance our capacity to capture more business opportunities

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

SUMMARY

OUR CUSTOMERS

Our customers primarily include property developers (including subsidiaries of property developers) and main contractors from the private sector in Hong Kong. We either acted as a nominated subcontractor or a domestic subcontractor for projects. When we are a nominated subcontractor, we submit our tender documents directly to the property developers and liaise and deal with them regarding the projects, particularly the project planning work. In such case, our projects are directly awarded by the property developers as our customers and then we are engaged by their main contractors. When we are a domestic subcontractor, we submit our tender documents to main contractors and liaise with them regarding the projects. In such case, our projects are awarded by the main contractors. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, our Group had a total of eight, 10 and six customers who contributed to our revenue, respectively, of which five, seven and six were recurring customers (i.e. customers who had engaged us for our services prior to the respective financial year/period), respectively.

For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, revenue from our largest customer which are different entities accounted for approximately 50.9%, 34.1% and 31.0% of our total revenue, respectively, while our five largest customers in aggregate accounted for approximately 95.5%, 85.0% and 96.4% of our total revenue, respectively. Our Group has maintained business relationship of approximately three to 10 years with most of our major customers during the Track Record Period.

Pricing strategies

We generally set the tender price based on the estimated costs to be incurred plus a certain mark-up margin, which is determined by our senior management on a project-by-project basis after considering various factors, including: (i) the scale, type of building, scope and complexity of the project; (ii) the customer's historical certifying and payment pattern; (iii) the availability of our resources; (iv) the expected costs of building materials and subcontracting charges; (v) the completion time requested by customer; and (vi) the prevailing market conditions.

Credit Policy

Generally, our Group would only receive progress payments of our projects after relevant works are certified by our customers. During the Track Record Period, the progress payments paid to our Group were generally settled by cheque or bank transfer. Our credit terms with our customers generally ranged from 14 to 30 days after the works are certified.

SUMMARY

OUR SUPPLIERS

During the Track Record Period, our suppliers generally include (i) building material suppliers for aluminium and steel products, aluminium claddings and glass, among others; (ii) subcontractors; and (iii) providers of other miscellaneous services such as transportation of materials, rental of machinery, glass cleaning services and quality testing services.

For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, purchase from our largest supplier accounted for approximately 34.0%, 18.7% and 26.0% of our total purchase from suppliers, respectively, while our five largest suppliers in aggregate accounted for approximately 71.2%, 66.5% and 76.4% of our total purchase, respectively. Our Group has maintained business relationship of approximately two to 11 years with most of our major suppliers during the Track Record Period.

USE OF PROCEEDS

Assuming an Offer Price of HK\$0.30, being the mid-point of the indicative Offer Price range, and after deducting related underwriting fees and estimated expenses in connection with the Share Offer, our Group estimates that the aggregate net proceeds to our Company from the Share Offer will be approximately HK\$34.2 million. Our Directors presently intend to apply such net proceeds as follows:

Business strategy	Approximate amount or percentage of net proceeds
Strengthening our financial positions to capture emerging business opportunities	
• <i> earmark for settling upfront costs of (i) three new projects and (ii) one potential project</i>	• <i> HK\$11.2 million or 32.7%</i>
• <i> earmark for satisfying the surety bond requirement of one of the new projects</i>	• <i> HK\$6.4 million or 18.7%</i>
Expanding our operation teams, offices and office equipment	HK\$13.6 million or 39.8%
General working capital	HK\$3.0 million or 8.8%

Without the net proceeds from the Share Offer, we would settle upfront costs of the new projects by our internally generated cash from operating activities and bank borrowings.

SUMMARY

Reasons for and benefits of the Listing

The principal reasons that our Directors believe that the Listing would be crucial to our Group are summarised below:

- we need significant amount of financial resources to settle the upfront costs and/or surety bond requirement of our new and potential projects, and to continuously finance our projects on hand. Nonetheless, our unutilised banking facilities as at 30 November 2017 was approximately HK\$40.1 million, among which HK\$20.0 million can only be used to settle our amount due to a Director (which amounted to approximately HK\$16.4 million as at 30 November 2017) but not for our daily operations. In other words, only approximately HK\$20.1 million of unutilised banking facilities as at 30 November 2017 could be used for our daily operations. The net proceeds from the Share Offer could strengthen our financial positions and capability and could satisfy our aforesaid need.
- our Directors envisage that considerable business opportunities would emerge in the future, and we need to strengthen our financial positions and capability to capture these opportunities. Hence the Listing is strategically important to us.
- the Share Offer shall be an alternative to raise fund for implementing our future plans which does not incur interest burden nor cause financial reliance by us on our Controlling Shareholders.
- we believe the Listing could attract potential customer to establish business relationship with us, and enable us to secure more projects in the future.
- the Listing enables us to adopt equity-based incentive programme, which our Directors believe could motivate our employees and retain key management personnel who are important to our business.

Please refer to the section headed “Future plans and use of proceeds” of this prospectus for details.

RISK FACTORS

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

- There may be net cash outflow during certain periods of our operations. Failure to acquire adequate capital may adversely affect our liquidity position and our ability to secure new projects and hinder the expansion of our business, which could materially and adversely affect our business, results of operation and financial performance
- Changes in the cost of building materials and staff as well as the subcontracting fees may result in cost overrun, which could materially affect our results of operation and financial performance
- Our Group may face difficulties in refinancing or increase in cost of financing
- Mismanagement or delay of our projects will materially affect our reputation and also our financial performance as penalties and/or additional costs may be incurred

SUMMARY

- We rely on subcontractors to help complete our projects. Under-performance by our subcontractors or unavailability of subcontractors may adversely affect our operations, profitability and reputation
- Cash flow of our projects may fluctuate
- We recorded net cash used in operating activities of approximately HK\$17.0 million for the year ended 31 March 2017 and approximately HK\$29.4 million for the four months ended 31 July 2017. If we record net cash outflow from operating activities in the future, our liquidity and financial condition may be materially and adversely affected
- Our Group is exposed to potential warranty claims
- Our Group is exposed to credit risk of our customers
- Our success significantly depends on the key management and our ability to attract and retain additional façade and curtain wall design team staff

For further details, please refer to the section headed “Risk factors” of this prospectus.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims, litigations and pending or threatened claims against us, all of which are related to actual or potential employee’s compensation claims and personal injuries claims with respect to the incidents at our construction sites. For details, please refer to the section headed “Business – Legal proceedings and material claims” of this prospectus.

During the Track Record Period and as at the Latest Practicable Date, our Group had been involved in certain non-compliance incidents. For details, please refer to the section headed “Business – Non-compliance” of this prospectus.

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any option which has been or may be granted under the Share Option Scheme), each of Mr. Chow and C.N.Y. Holdings is or is deemed to be entitled to exercise or control the exercise of 30% or more of voting rights at general meetings of our Company. As such, each of Mr. Chow and C.N.Y. Holdings is regarded as a Controlling Shareholder. In addition, on the basis that Mr. Yu has restricted his ability to exercise direct control over our Company as he holds his interest through a common investment holding company with Mr. Chow, namely C.N.Y. Holdings, Mr. Yu is one of Controlling Shareholders with Mr. Chow and C.N.Y. Holdings. For further details, please refer to the section headed “Relationship with our Controlling Shareholders – Controlling Shareholders” of this prospectus.

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

Our financial conditions and results of operation have been and will continue to be influenced by a number of key factors, the most significant ones of which are (i) the availability of construction projects in Hong Kong; (ii) the non-recurrent nature of our projects; (iii) the pricing of our projects; (iv) the building material costs and subcontracting charges; and (v) the financial resources required to undertake projects.

For detailed analysis of the following financial information, please refer to the section headed “Financial information” of this prospectus.

Selected items from the combined statements of profit or loss and other comprehensive income

The following key financial data are extracted from our combined statements of profit or loss and other comprehensive income for each of the two years ended 31 March 2017 and the four months ended 31 July 2017 as contained in the Accountants’ Report of our Group in Appendix I to this prospectus:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	172,029	109,607	40,135	58,065
Gross profit	24,969	19,551	8,143	7,969
Gross profit margin	14.5%	17.8%	20.3%	13.7%
Net profit margin	9.5%	6.6%	13.6%	-0.8%
Profit/(Loss) for the year/period	16,425	7,182	5,442	(459)

Revenue of our Group decreased by approximately HK\$62.4 million or 36.3% from approximately HK\$172.0 million for the year ended 31 March 2016 to approximately HK\$109.6 million for the year ended 31 March 2017. Such decrease was primarily due to the reasons that (i) most of our projects were substantially completed, with substantial portion of revenue from these projects being recognised, during the year ended 31 March 2016; (ii) four projects commenced in the second and third quarter of the year ended 31 March 2017 with small portion of revenue being recognised from these projects; and (iii) the delay in main contractor’s work schedule of a project at Argyle Street.

We recorded revenue of approximately HK\$58.1 million for the four months ended 31 July 2017, representing an increase by approximately HK\$18.0 million or 44.9% when compared to that of approximately HK\$40.1 million for the four months ended 31 July 2016. The increase was primarily due to the difference in stage of completion between our projects in the two periods. Most of our projects during the four months ended 31 July 2016 were either substantially completed or still in the planning stage, while on the other hand most of our projects engaged during the four months ended 31 July 2017 were in the execution stage where installation works were ongoing with revenue being recognised from time to time.

SUMMARY

The following table sets forth the breakdown of our gross profit and gross profit margin by types of building and contract during the Track Record Period:

	Year ended 31 March		Four months ended 31 July			2016		2017	
	2016	2017	2016	2017		Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	(unaudited)
Types of building									
– Residential buildings	1,393	5.6	11,500	13.4	4,113	15.1	7,969	13.7	
– Commercial buildings	23,576	16.0	8,051	33.9	4,030	31.1	–	–	
	<u>24,969</u>	<u>14.5</u>	<u>19,551</u>	<u>17.8</u>	<u>8,143</u>	<u>20.3</u>	<u>7,969</u>	<u>13.7</u>	
Original contract or variation orders									
Design and build projects	23,383	14.3	12,917	14.2	4,944	16.1	7,969	13.7	
Variation orders	1,586	18.5	6,634	35.8	3,199	33.7	–	–	
	<u>24,969</u>	<u>14.5</u>	<u>19,551</u>	<u>17.8</u>	<u>8,143</u>	<u>20.3</u>	<u>7,969</u>	<u>13.7</u>	

Our gross profit amounted to approximately HK\$25.0 million and HK\$19.6 million for each of the two years ended 31 March 2017, respectively, representing a yearly decrease of approximately 21.6%. Such decrease was generally in line with the overall decrease in our revenue for the same period. We recorded gross profit of approximately HK\$8.1 million and HK\$8.0 million for the four months ended 31 July 2016 and 2017, respectively.

Our gross profit margin increased from approximately 14.5% to 17.8% over the two years ended 31 March 2017. Such increase was primarily attributable to the relatively higher gross profit margin of two residential building projects and commercial building variation orders during the year ended 31 March 2017. Our gross profit margin decreased from approximately 20.3% for the four months ended 31 July 2016 to approximately 13.7% for the four months ended 31 July 2017. We recorded such decrease as we had only undertaken residential building projects during the four months ended 31 July 2017 which, when compared with our commercial building projects and variation orders during the four months ended 31 July 2016, have relatively lower gross profit margins.

Please refer to the section headed “Financial information – Principal components of results of operations – Gross profit and gross profit margin” of this prospectus for detailed discussion on fluctuations in our gross profit and gross profit margin during the Track Record Period.

SUMMARY

Our net profit margin decreased from approximately 9.5% to 6.6% over the two years ended 31 March 2017. Such decrease was primarily attributable to the increase in our administrative expenses and other expenses for the year ended 31 March 2017. The reason for the decrease in our net profit margin from approximately 13.6% for the four months ended 31 July 2016 to approximately -0.8% for the four months ended 31 July 2017 was similar to the above.

Our net profit amounted to approximately HK\$16.4 million and HK\$7.2 million for each of the two years ended 31 March 2017, respectively, representing a yearly decrease of approximately 56.1%. Such decrease was generally in line with the overall decrease in our revenue. We recorded net profit of approximately HK\$5.4 million and net loss of approximately HK\$459,000 for the four months ended 31 July 2016 and 2017, respectively, representing a decrease over the periods. Such decrease was the combined effect of the incurrence of listing expenses of approximately HK\$4.0 million and the increase in our administrative expenses during the four months ended 31 July 2017.

Selected items from the combined statements of financial position

The following table sets out selected items extracted from our combined statements of financial position as at 31 March 2016 and 2017 and 31 July 2017 as contained in the Accountants' Report of our Group in Appendix I to this prospectus:

	As at 31 March		As at
	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
Current assets	64,596	89,755	126,036
Current liabilities	52,193	70,790	107,708
Net current assets	12,403	18,965	18,328
Non-current assets	29	649	831
	<u>12,432</u>	<u>19,614</u>	<u>19,159</u>
Net assets	<u><u>12,432</u></u>	<u><u>19,614</u></u>	<u><u>19,159</u></u>

Our net current assets increased by approximately HK\$6.6 million from approximately HK\$12.4 million as at 31 March 2016 to approximately HK\$19.0 million as at 31 March 2017, which was mainly a net result of (i) increase in the amounts receivable on contract work of approximately HK\$28.8 million; (ii) increase in cash and bank balances of approximately HK\$7.1 million; (iii) increase in bank borrowings of approximately HK\$15.4 million; (iv) decrease in amount due from a director of approximately HK\$7.4 million; and (v) increase in trade and other payables of approximately HK\$4.1 million.

Our net current assets then decreased slightly to approximately HK\$18.3 million as at 31 July 2017, among which the amounts receivable on contract work and progress payments receivables increased by approximately HK\$22.8 million and HK\$8.8 million, respectively, and prepayments, deposits and other receivables increased by approximately HK\$8.5 million, which was partly offset by (i) the decrease in cash and bank balances of HK\$6.8 million; (ii) the increase in trade and other payables of approximately HK\$13.4 million; and (iii) the increase in bank borrowings by approximately HK\$19.7 million.

SUMMARY

Selected items from the combined statements of cash flows

The following table sets out a summary of selected items extracted from the combined statements of cash flows for each of the two years ended 31 March 2017 and the four months ended 31 July 2017 as contained in the Accountant's Report of our Group in Appendix I to this prospectus:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Operating cash flows				
before movements in				
working capital	20,597	10,646	6,800	868
Net cash from/(used in)				
operating activities	4,600	(17,039)	(759)	(29,390)
Net cash (used in)/from				
investing activities	(11,228)	8,534	–	(236)
Net cash from financing				
activities	6,894	16,548	8,276	22,870
Net increase/(decrease) in				
cash and cash equivalents	266	8,043	7,517	(6,756)
Cash and cash equivalents at				
beginning of the year/ period	1,156	1,422	2,364	9,465
Cash and cash equivalents at				
the end of the year/period	1,422	9,465	9,881	2,707

For each of the two years ended 31 March 2017, we recorded net increase in cash and cash equivalents of approximately HK\$0.3 million and HK\$8.0 million, respectively. For the four months ended 31 July 2016 and 2017, we recorded net increase and net decrease of approximately HK\$7.5 million and HK\$6.8 million, respectively, in our cash and cash equivalents.

We recorded net cash used in operating activities for the year ended 31 March 2017 and the four months ended 31 July 2017. In general, such net cash outflows were collectively attributable to, among others, the increase in (i) amounts receivable on contract work due to the timing difference between our works performed before 31 March 2017 and 31 July 2017 and the issuance of payment certificates by our customers after the year/period end date; (ii) prepayment, deposit and other receivables; and (iii) trade and other payables during the respective year/period. The net decrease in cash and cash equivalents for the four months ended 31 July 2017 was primarily a net result of our net cash used in operating activities overwhelming net cash from financing activities.

SUMMARY

Key financial ratios

The following table sets forth a summary of our key financial ratios during the Track Record Period:

Key financial ratios	Formulae	As at/for the year ended 31 March		As at/for the four months ended 31 July
		2016	2017	2017
Current ratio	Current assets/current liabilities	1.2	1.3	1.2
Quick ratio	(Current assets - inventories) / current liabilities	1.2	1.3	1.2
Gearing ratio	Total debt / total equity x 100% (<i>Note</i>)	246.7%	249.6%	378.0%
Interest coverage	Profit before interest and tax / finance costs	22.9	9.3	1.5
Return on assets	Net profit / total assets x 100%	25.4%	7.9%	-0.4%
Return on equity	Net profit / total equity x 100%	132.1%	36.6%	-2.4%
Net profit margin	Net profit / revenue x 100%	9.5%	6.6%	-0.8%

Note: Total debt includes bank borrowings, bank overdrafts and amount due to a director.

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

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

After the end of the Track Record Period and up to the date of this prospectus, we had submitted a total of eight tenders with an aggregate tender sum of approximately HK\$234.6 million. The tender sums of these tenders range from approximately HK\$4.9 million to HK\$102.5 million. As at the Latest Practicable Date, one of these projects which is located at Wing Kin Road was awarded to us in November 2017 with a contract sum of approximately HK\$32.1 million, while the results of the remaining seven tenders with an aggregate tender sum of approximately HK\$202.5 million were not yet released.

Apart from the above, out of our 10 tenders submitted during the four months ended 31 July 2017, one project which is located at Yue Man Square was awarded to our Group in October 2017 with a contract sum of approximately HK\$63.8 million. Procurement of surety bond is required for this project which amounts to approximately HK\$6.4 million. As at the Latest Practicable Date, we have also secured another commercial building project pending for an issue of the letter of award to us. Based on our tender submission and our management’s understanding from customer during negotiations, we expected that the project will commence in February 2018 and the contract sum of this project would be over HK\$100 million but less than HK\$120 million, with an exact contract sum to be confirmed among the customer and our

SUMMARY

Group. We were also in the process of specifications negotiation with customer regarding a large-scale residential project with a tender sum over HK\$300 million but less than HK\$330 million as at the Latest Practicable Date. As at the Latest Practicable Date, our Group had nine projects on hand (including the two new projects at Wing Kin Road and Yue Man Square, respectively), which represent projects that have commenced but not yet completed, with an aggregate original contract sum of approximately HK\$455.4 million. Out of such aggregate original contract sum, revenue of approximately HK\$118.4 million was recognised during the Track Record Period with an aggregate outstanding contract sum of approximately HK\$337.0 million.

The financial results of our Group for the year ending 31 March 2018 are expected to be adversely affected by the estimated expenses in relation to the Listing as out of the aggregate estimated expenses in relation to the Listing to be borne by our Company of approximately HK\$25.8 million, approximately HK\$2.8 million was charged to the profit or loss for the year ended 31 March 2017 and approximately HK\$12.7 million would be charged to the profit or loss for the year ending 31 March 2018. Nevertheless, expenses in relation to the Listing are non-recurring in nature.

Save and except for disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the business or financial condition of our Group since 31 July 2017 (being the date to which the latest audited combined financial statements of our Group were prepared).

LISTING EXPENSES

Assuming an Offer Price of HK\$0.3 per Share, being the mid-point of the indicative Offer Price range, the aggregate estimated expenses in relation to the Listing is approximately HK\$25.8 million. Out of the aggregate estimated expenses in relation to the Listing, approximately HK\$10.3 million directly attributable to the issue of new Shares is to be accounted for as a deduction from equity. The remaining approximately HK\$15.5 million is to be charged to our profit or loss in the manner described in the previous paragraph. Expenses in relation to the Listing are non-recurring in nature.

SHARE OFFER STATISTICS

	Based on an Offer Price of HK\$0.25	Based on an Offer Price of HK\$0.35
Market capitalisation (<i>Note 1</i>)	HK\$200,000,000	HK\$280,000,000
Unaudited pro forma adjusted combined net tangible assets per Share (<i>Note 2</i>)	HK\$0.06	HK\$0.09

Notes:

- (1) The calculation of market capitalisation is based on 800,000,000 Shares expected to be in issue immediately upon the completion of the Share Offer and the Capitalisation Issue.
- (2) The unaudited pro forma adjusted combined net tangible asset per Share attributable to the owners of our Company has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

SUMMARY

DIVIDENDS

Our Group has no dividend policy. No dividend has been paid or declared by our Company since its incorporation. For the year ended 31 March 2016, a subsidiary of our Company declared and paid dividend of approximately HK\$6.5 million to its shareholders. Such dividends had fully been paid and we financed the payment of such dividends by our internal resources.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio. There will be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution recorded 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.

DEFINITIONS AND GLOSSARY

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
“affiliate(s)”	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), individually or collectively, as the context may require
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 25 January 2018 to take effect on the Listing Date, 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 the Board
“Board” or “our Board”	the board of Directors
“Building Authority”	the Director of Buildings and the head of the Buildings Department under the Buildings Ordinance
“Buildings Department”	Buildings Department of the Hong Kong government, which provides services to owners and occupants in both existing and new buildings in the private sector through the enforcement of the Buildings Ordinance
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands

DEFINITIONS AND GLOSSARY

“Capitalisation Issue”	the issue of 599,999,800 Shares to be made upon capitalization of a sum of HK\$5,999,998 standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about our Company – 3. Written resolutions of our sole Shareholder dated 25 January 2018” in Appendix IV to this prospectus
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of the Board, namely, Mr. Chow
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“C.N.Y. Holdings”	C.N.Y. Holdings Limited, a company incorporated in BVI with limited liability on 21 April 2017, the entire equity interest of which is owned by Mr. Chow as to 83.0% and by Mr. Yu as to 17.0%

DEFINITIONS AND GLOSSARY

“Co-Lead Manager”	Sunfund Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the co-lead manager of the Share Offer
“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”, “the Company” or “our Company”	Polyfair Holdings Limited (寶發控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 25 May 2017
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules, and in the context of our Company, means C.N.Y. Holdings, Mr. Chow and Mr. Yu
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 25 January 2018 and entered into by our Controlling Shareholders in favour of our Company (for ourselves and for the benefit of our subsidiaries)
“Deed of Non-Competition”	the deed of non-competition undertaking dated 25 January 2018 and entered into by the Controlling Shareholders in favour of our Company (for ourselves and for benefit of our subsidiaries)
“Director(s)”	the director(s) of our Company
“GDP”	Gross domestic product

DEFINITIONS AND GLOSSARY

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended, supplemented or otherwise modified from time to time)
“Government” or “government”	unless otherwise stated, the Government of the HKSAR
“ GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider
“Group” or “our Group” or “we” or “us”	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“ HK eIPO White Form ”	the application of the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Dollars” or “HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS AND GLOSSARY

“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any directors, chief executives and substantial shareholders of our Company or any of its subsidiaries and any of their respective associates
“Ipsos”	Ipsos Limited, an international market research company and an Independent Third Party
“Ipsos Report”	a market research report commissioned by our Company and prepared by Ipsos on the overview of the industries in which our Group operates
“Joint Bookrunners” and “Joint Lead Managers”	collectively, (i) Future Land Resources Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, and (ii) Huabang Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the joint bookrunners and the joint lead managers of the Share Offer
“Latest Practicable Date”	22 January 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on GEM
“Listing Date”	the date on which dealings in our Shares first commence on GEM, which is expected to be on or about 23 February 2018
“Listing Division”	the Listing Division of the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, as amended from time to time
“Mr. Chow”	Mr. Chow Mo Lam, an executive Director, the chairman of the Board and one of our Controlling Shareholders

DEFINITIONS AND GLOSSARY

“Mr. Yu”	Mr. Yu Lap On Stephen, an executive Director, the chief executive officer of our Group and one of our Controlling Shareholders
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the price for each Offer Share of not more than HK\$0.35 per Share and expected to be not less than HK\$0.25 per Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) and to be fixed on the Price Determination Date
“Offer Share(s)”	the Public Offer Share(s) and the Placing Share(s), collectively
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters, as further described in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Placing Shares”	the 180,000,000 new Shares being initially offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Placing Underwriters”	the underwriters of the Placing that are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the underwriting agreement to be entered into on or around 7 February 2018 among, among others, our Company, our executive Directors, the Controlling Shareholders, the Joint Bookrunners and the Joint Lead Managers, the Co-Lead Manager and the Placing Underwriters in respect of the Placing, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – The Placing – Placing Underwriting Agreement” of this prospectus
“Polyfair HK”	Polyfair Construction & Engineering Limited (寶發建設工程有限公司), a company with limited liability incorporated in Hong Kong on 9 February 2006 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS AND GLOSSARY

“Polyfair Group”	Polyfair Group Limited (寶發集團有限公司), a company incorporated in BVI with limited liability on 8 June 2017 and a direct wholly-owned subsidiary of our Company
“Polyfair SZ”	Shenzhen Polyfair Curtainwall Technology Company Limited* (深圳寶發幕牆科技有限公司), a company established in the PRC with limited liabilities on 9 January 2017 and an indirect wholly-owned subsidiary of our Company
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, as amended, supplemented or otherwise modified from time to time
“PRC Legal Advisers”	Dentons Law Offices, our Company’s legal advisers as to PRC Law
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Company (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement to be entered into between the Joint Bookrunners (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Wednesday, 7 February 2018 (or such later date as may be agreed between our Company and the Joint Bookrunners for itself and on behalf of the Underwriters), on which the Offer Price will be determined for the purposes of the Share Offer

DEFINITIONS AND GLOSSARY

“Public Offer”	the offer by our Company of the Public Offer Shares for subscription to the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) as described in the section headed “Structure and conditions of the Share Offer” of this prospectus and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Public Offer Shares”	the 20,000,000 new Shares initially offered by our Company for subscription at the Offer Price pursuant to the Public Offer (as described in the section headed “Structure and conditions of the Share Offer” of this prospectus)
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer named in the subsection headed “Underwriting – Public Offer Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 30 January 2018 relating to the Public Offer and entered into among, among others, our Company, our executive Directors, the Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, the Co-Lead Manager and the Public Offer Underwriter, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Public Offer Underwriting Agreement” of this prospectus
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, reorganisation and corporate structure – Reorganisation” of this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong

DEFINITIONS AND GLOSSARY

“SFDCL”	Shenzhen Façade Design Consultation Limited* (深圳澳美加幕牆工程顧問有限公司), a company established in the PRC with limited liability and wholly-owned by Mr. Gao Yingchang, a marketing manager of Polyfair HK
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 25 January 2018, the principal terms of which are summarised under the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“sq.ft.”	square feet
“sq.m.”	square meter(s)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Sunfund Capital” or “Sole Sponsor”	Sunfund Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Share Offer
“Takeovers Code”	The Codes of Takeovers and Mergers and Share Repurchases as supplemented or amended or otherwise modified from time to time

DEFINITIONS AND GLOSSARY

“Track Record Period”	the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017
“Underwriters”	the underwriters of the Share Offer, being the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement, collectively
“ WHITE Application Form(s)”	the form(s) of application 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 form(s) of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the Latest Practicable Date.

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

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

FORWARD-LOOKING STATEMENTS

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

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution plans;
- the future competitive environment of Hong Kong;
- the regulatory environment as well as the general industry outlook for the industry which we are engaged in;
- future developments in the industry which we are engaged in; and
- the trend of the Hong Kong and global economy in general.

These statements are based on numerous assumptions, including those regarding our present and future business strategy and the environment in which we will operate in the future.

Our future results could differ materially from those expressed or implied by such forward-looking statements. In addition, various factors including, without limitation, those discussed in the sections headed “Risk factors” and “Financial information” of this prospectus may affect our future performance.

If one or more risks or uncertainties stated in the aforesaid sections materialise, or if any underlying assumptions are proved incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of these 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 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

Potential Investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision relating to the Shares. Our Group's business, financial condition and results of operations could be materially and adversely affected by, and the trading prices of the Shares could decline due to, any of these risks or any uncertainty that our Group is unaware of, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

There may be net cash outflow during certain periods of our operations. Failure to acquire adequate capital may adversely affect our liquidity position and our ability to secure new projects and hinder the expansion of our business, which could materially and adversely affect our business, results of operation and financial performance

Our projects normally incur net cash outflow at the early stages when our Group is required to purchase building materials and pay for upfront expenditures to our suppliers prior to receiving progress payments from our customers to an amount not less than the accumulated cash outflow. Only after that the cash flow of a particular project will turn from net outflow at the early stages into accumulative net inflow gradually as the work progresses.

Our Group undertakes a number of projects at any given period, and the net cash outflow of a particular project is generally compensated by the net cash inflow from other projects. Should the mix of the projects be such that more projects are at the early stages and that the aggregate cash outflow is greater than the aggregate cash inflow, our corresponding liquidity position may be adversely affected, which may then affect our projects' financing and progress.

On the other hand, our Group expects that a significant amount of resources is required for securing new projects. Costs would be incurred during the preparation of the tender, i.e. develop preliminary design and assess the feasibility of the project, and the net cash outflow nature of our projects at the early stages has to be considered. There is no assurance that the resources required for securing new projects can be obtained through equity or debt financing on acceptable terms, or sufficient cash flow can be generated from our operations to meet the requirement. Our Group may not be financially capable of securing new projects while financing existing projects simultaneously without adequate capital, which may hinder our business expansion.

Furthermore, the actual resources requirement for securing new projects may vary materially from our planning and expectation. Failure to acquire adequate capital or obtain additional resources on acceptable terms may hinder or prevent the expansion of our business or force us to forego business opportunities, which could materially and adversely affect our business, results of operation and financial performance.

RISK FACTORS

Changes in the cost of building materials and staff as well as the subcontracting fees may result in cost overrun, which could materially affect our results of operation and financial performance

During the Track Record Period, all of our revenue was generated from our projects, which were secured through tender submission. Our Group determines the price of tender based on the estimated costs to be incurred in relation to the project plus a mark-up, and the price of a contract would be determined and fixed once it is awarded to our Group. However, the actual costs incurred and time spent for completing a project may vary from the estimation due to various factors.

One of the factors which may affect the actual costs of our projects is our building material costs which accounted for approximately 51.6%, 32.1% and 42.1% of our total cost of services for each of the two years ended 31 March 2017 and the four months ended 31 July 2017, respectively. There is a time lag between our Group submitting the tender based on the costs estimation and actually purchasing the building materials, hence such costs and charges are subject to variation from the estimation and may be affected by, among others, the macroeconomic conditions, supplies of the underlying building materials and costs of their raw materials. These external factors may be unforeseeable and beyond control by our Group, and in the event that our building material costs increase unexpectedly due to these factors, the actual costs of our projects may be greater than the estimated amounts. Our profitability may hence be adversely affected.

On the other hand, our subcontracting fees also accounted for approximately 36.6%, 43.6% and 37.4% of our total cost of services for each of the two years ended 31 March 2017 and the four months ended 31 July 2017, respectively. While subcontracting fees are incurred inevitably and continuously by our Group due to our business nature, the fees may fluctuate beyond the estimation from time to time due to changes in, among others, the macro-economic conditions, and supply and cost of installation labour in the market. If there is an unexpected and significant increase in our subcontracting fees due to the abovementioned factors, the actual costs of our projects may be greater than the estimated amounts, and our profitability may hence be adversely affected. Similar situation, condition and result could apply to our project staff costs.

A project may also take longer time to complete than expected, and the risk of cost overrun increases with the duration of a project due to more possibility of increases in the cost of building materials and labour. In the event that cost overrun occurs in our projects due to factors including but not limited to the abovementioned, and that our Group is unable to reallocate our resources in an efficient manner, the profitability and financial performance of our Group will be adversely affected.

RISK FACTORS

Our Group may face difficulties in refinancing or increase in cost of financing

As at 31 March 2016 and 2017 and 31 July 2017, our Group had recorded an aggregate of bank borrowings and bank overdrafts of approximately HK\$27.4 million, HK\$41.9 million and HK\$61.6 million, respectively. Our Group had recorded gearing ratio of approximately 246.7%, 249.6% and 378.0% as at 31 March 2016 and 2017 and 31 July 2017, respectively. Our Group has obtained, and likely will seek to continue to obtain, bank borrowings for our operations from financial institutions in Hong Kong. However, there is no assurance our Group would continue to be able to extend our bank borrowings in the future, or to do so at acceptable terms. Should such risks materialise, there may be a material adverse effect on our business, results of operation and financial condition.

Mismanagement or delay of our projects will materially affect our reputation and also our financial performance as penalties and/or additional costs may be incurred

A delay in our project, whether it is on stage progress or completion, may adversely affect our receipt of progress payments, operational cash flow and financial performance. A delay in our project can be due to various factors, including but not limited to, weather conditions, safety incidents and other factors that are beyond our control. In addition, there may be a lapse of buffer time for our Group to complete a project and receive full payments before the commencement of subsequent projects, which may adversely affect our liquidity position. If a delay in completion of our project is caused by our Group, we are liable to pay damages to our contracting parties as stipulated in the contracts, as well as the additional costs incurred. Our financial performance and reputation may hence be adversely affected, which could adversely affect our future business opportunities.

We rely on subcontractors to complete our projects. Under-performance by our subcontractors or unavailability of subcontractors may adversely affect our operations, profitability and reputation

In line with common industry practice, our Group subcontracts the installation works of our projects to external subcontractors. Prior to the establishment of our in-house design department in March 2017, we mainly provided project management services and engaged subcontractor to perform the design work under the supervision of our in-house designers and we subcontracted all installation work of our projects during the Track Record Period. After the establishment of our in-house design department in March 2017, we handle the design work of all our projects and only subcontract the installation works. We are exposed to legal liabilities if we cannot monitor our subcontractors' performance, or if our subcontractors violate any laws, rules, or regulations in relation to safety, health and environmental matters. In addition, pursuant to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), a principal contractor or a principal contractor with every superior subcontractor is/are 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, if such wages are not paid within the period specified in the Employment Ordinance. Our operations and hence our financial position may be adversely affected if any of our subcontractors violates its obligations to pay its employees.

RISK FACTORS

Further, there is no assurance that our Group can always identify and engage with suitable subcontractors when required, or be able to engage with subcontractors at acceptable fees and terms of service. In such events, our operations, financial performance and reputation may be adversely affected.

Cash flow of our projects may fluctuate

Our Group receives progress payments with reference to the value of our works completed. Generally, the value of our works completed would be certified by the customer. During the Track Record Period, our Group did not make any provision for doubtful debt. However, we cannot assure that our customers will always certify our works in due course in the future, that we will be able to collect receivables from our customers on a timely basis, or that there will not be any future dispute in relation to receivables collection with our customers. There is also no guarantee that the retention money will be released to us on time and in full. We recorded retention money receivables of approximately HK\$9.8 million, HK\$7.2 million and HK\$10.8 million as at 31 March 2016 and 2017 and 31 July 2017, respectively.

If the abovementioned so happen, our cash flow and liquidity position could be adversely affected. Our projects may then be delayed and our profitability and operations may hence be adversely affected.

We recorded net cash used in operating activities of approximately HK\$17.0 million for the year ended 31 March 2017 and approximately HK\$29.4 million for the four months ended 31 July 2017. If we record net cash outflow from operating activities in the future, our liquidity and financial condition may be materially and adversely affected

We recorded net cash used in operating activities of approximately HK\$17.0 million for the year ended 31 March 2017 and approximately HK\$29.4 million for the four months ended 31 July 2017 primarily due to the increase in amounts receivable on contract work and the increase in prepayments, deposits and other receivables. For further information about cash outflow from operating activities, please refer to the section headed “Financial information – Liquidity and capital resources – Net cash generated from or used in operating activities” of this prospectus. In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. We can give no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

RISK FACTORS

Our Group is exposed to potential warranty claims

We generally provide our customers with warranty period of up to 15 years from the date of project completion or after the end of defects liability period. During the warranty period, we are subject to potential warranty claims. We could be required to replace or repair the defects of our work at our own cost and compensate our customers for losses or damages caused by non-performance of our works. We may also have to spend resources to defend ourselves in the event where claims or legal proceedings are instituted against us which may adversely affect our reputation. Even if we can make claims against our subcontractors for the defects of their work performed, we may not be able to fully recover the desired amount from our subcontractors. Thus, we may be required to bear the damages to our customers at our own costs and expenses and our reputation, business, financial condition and results of operations may be adversely affected.

Our Group is exposed to credit risk of our customers

We are subject to credit risk of our customers and our profitability and cashflow are dependent on our receipt of timely payments from our customers. If there is any delay in payment by our customers, our profitability, working capital and cash flow may be adversely affected. There is no assurance that we will be able to collect all or any of our progress payments receivable in a timely manner, or at all. As at 31 March 2016 and 2017 and 31 July 2017, our progress payments receivable amounted to approximately HK\$8.4 million, HK\$3.4 million and HK\$12.1 million, respectively. If any of our customers face unexpected situations, including, but not limited to, financial difficulties, we may not be able to receive full or any payment of uncollected sums or enforce any judgment debts against such customers. Non-payment or delays in payment by our customers may materially and adversely affect our business, financial condition, results of operations and prospects.

Our success significantly depends on the key management and our ability to attract and retain additional façade and curtain wall design team staff

Our Group depends on the efforts and skills of our key management. The loss of any executive Director or member of the senior management, namely Mr. Chow, Mr. Yu, Mr. Wong Kam Man and Mr. Wong Chi Kan Johnny, could have a material adverse effect on our business if our Group is unable to find suitable replacements in a timely manner. Our success also depends on our ability to identify, attract, recruit, train and retain additional façade and curtain wall design team staff with the requisite industry expertise. Due to the high complexity of façade and curtain wall designs and the application and combination of multiple types of materials, experienced design engineers are important for handling these design-related work. Whether a candidate possesses such design engineers and could deliver feasible designs is also part of the consideration for the main contractors or developers to select the most suitable subcontractors for the projects. Hence it is crucial for our Group to attract, recruit and retain our design team staff so as to maintain our competitiveness and expand our business.

RISK FACTORS

However, according to Ipsos Report, the supply of experienced design team staff is insufficient in the industry. Our Group may face challenges to attract, recruit and retain our design team staff. Failure to recruit and retain the necessary personnel or the loss of a significant number of staff at any time could adversely affect our operations, business and prospects.

Our projects are non-recurring in nature and we have to go through competitive tendering process to secure new projects. Failure to continuously secure new projects could materially affect our sustainability and financial performance

Our Group does not have any long-term commitment with our customers. There is no guarantee that our existing customers will continue to engage us for new projects, and our Group has to go through competitive tendering process to secure new projects. Such process is beyond our control, and the pricing of our competitors is uncertain to us, thus there is no assurance our Group may secure new projects from our future tender submission.

As at the Latest Practicable Date, we had nine projects in progress and the last expected completion time of our projects on hand is September 2019 and the duration of our projects usually ranges from approximately 14 to 30 months. As such, our revenue is non-recurring in nature and our Group cannot guarantee to continuously secure new projects after the completion of all our projects on hand.

It is critical for our Group to secure new projects at a level similar to or greater than our current business level on a continuous basis. In the event that our Group is unable to maintain business relationship with existing customers or engage with new customers, such that new projects are continuously awarded to us, our business, sustainability and financial performance could be adversely affected.

Revenue derived from our five largest customers accounted for a substantial portion of our total revenue, failure to retain business relationship with them or secure new business may affect our results of operation and financial performance

For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, revenue derived from our five largest customers accounted for approximately 95.5%, 85.0% and 96.4% of our total revenue, respectively. In particular, approximately 50.9%, 34.1% and 31.0% of our total revenue was attributable to our respective largest customer for each of the two years ended 31 March 2017 and the four months ended 31 July 2017. Our Group does not enter into any long-term written agreement with any of these major customers as the contracts are principally awarded to us on a project-by-project basis through tender submission. Our major customers are not obligated in any way to continue engaging our Group for new projects in the future at a level similar to that in the past or at all. The volume and/or value of new projects initiated by our major customers also depend on their own financial condition and commercial success, and if they are unwilling or unable to make payments to us, our Group may be unable to recover significant amount of progress payment receivables and our cash flow and financial position could be adversely affected.

RISK FACTORS

In the event that our Group was unable to secure new projects from our major customers at a level similar to that in the past, and to secure a similar level of business from other customers on comparable commercial terms such that the loss of revenue from our major customers could be partly or wholly offset, our results of operation, profitability and liquidity could be materially and adversely affected.

Our business plans may not be implemented successfully or be achieved within the expected time frame or within the estimated budget, which may adversely affect our prospects

Our future business plans include enlarging our capital base for the issue of surety bonds, increasing our flexibility in allocating and utilising our financial resources, and expanding our operation teams, such that our Group would be capable to capture more business opportunities. For more details, please refer to the section headed “Future plans and use of proceeds” of this prospectus. However, there is no assurance that our Group can expand our project management team within the expected time frame or within the estimated budget, and that we can secure new projects and expand our business. The implementation of our business plans may also be hindered by other factors beyond our control, such as the general market conditions, relevant government policies and new market entrants.

Our Group may also need to further finance additional amount for implementing our business objectives and strategies on top of the Share Offer. Our Group cannot guarantee that adequate cash could be generated from our operations, or that we could obtain external financing, to finance such business objectives and strategies in a timely manner.

In the event that our Group fails to implement our business plans, or to obtain sufficient financing in a timely manner for such implementation if so required, our results of operation, financial performance and future prospects could be adversely affected.

Our Group is exposed to interest rate risk

Our Group is exposed to cash flow interest rate risk through the impact of rate changes on mainly the interest bearing bank balances and borrowings at variable interest rates. Our cash flow interest rate risk mainly concentrates on the fluctuation of interest rates on Prime Rate, HIBOR and BLR arising from our bank borrowings. Should there be movements on such rates which are unfavourable to us, our results of operation and financial performance may be adversely affected.

Our Group may be liable for significant defect in our projects

Our projects generally include a defects liability period of approximately 12 to 24 months from the date of practical completion during which our Group is responsible to rectify work defects. If the building materials used are defective, our Group would replace them during the defects liability period or request our suppliers to do so. If our Group is required to rectify significant defect, i.e. a batch of material defects, during the defects liability period which may result in substantial additional costs being borne by our Group, our results of operation together with our reputation may be adversely affected.

RISK FACTORS

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

Our business operations are subject to relevant applicable laws, rules and regulations. For further details, please refer to the section headed “Regulatory overview” of this prospectus. In the event that our Group fails to comply with such laws, rules and regulations, our Group may be subject to prosecution or fines, which may lead to our financial performance and reputation being materially affected. There may also be changes in the existing policies by the government authorities in relation to regulations regarding the construction industry, which may cause an interruption to our operations and have a material adverse effect on our business and results of operation.

Our Group may also involve in claims or proceedings relating to warranty, indemnification or liability claims, contractual disputes with our customers or subcontractors, labour disputes, safety or other legal requirements. Legal proceedings can be time-consuming, expensive, and may divert management’s attention away from the operations of business. Moreover, if there is any significant claims raised by our customers or other interested parties against us for defect liability or any default or failure in relation to our works, we may incur significant amount in rectifying such defects or settling such claims. As such, any claims or legal proceedings to which our Group may become a party in the future may have a material and adverse impact on our business operations, financial condition and reputation.

Our Group is subject to exchange rate risk

Our Group has certain trade payables which are denominated in RMB. Fluctuation in foreign exchange rate, particularly the rate of RMB against HK\$, which is unfavourable to our Group may adversely affect our amount payable. Our building and material costs are also subject to such fluctuation since some of our suppliers are located in the PRC. In the event that such unfavourable fluctuation occurs, our results of operations as well as financial position may be adversely affected.

Our insurance may not fully cover all the potential losses and liabilities arising from our business

Our Group is generally covered by the employees’ compensation insurance and contractors’ all risks insurance taken out by the project’s main contractor. However, there is no assurance that the insurance policies are sufficient to cover all potential risks, losses and expenses incurred from damages or liabilities in relation to our business. In the event that an uninsured or not wholly insured liability arises, our Group may incur additional expenses and suffer losses which may adversely affect our financial position.

On the other hand, our Group cannot guarantee that third parties or workers at the construction site will always comply with the safety measures and procedures, and that there will not be any violations of relevant rules, laws or regulations on the part of our subcontractors. In the event of non-compliance, there may be occurrences of serious personal injuries, property damage or fatal accidents, which may lead to interruption of our operations and litigation against us. There may be adverse effect on our financial conditions to the extent that these mishaps are not covered by insurance policies.

RISK FACTORS

There is also no guarantee that the insurers will fully compensate our Group for all potential losses, damages or liabilities relating to our business operations. Our Group cannot control if there is reduction or limitation of insurance coverage by insurers upon the expiry of the current policies. Our Group cannot guarantee that we can renew our policies on similar or other acceptable terms, nor that the insurance premiums will not rise. Our Group may also be required by law or customers to obtain additional insurance coverage. Any further increase in insurance costs or reduction in coverage may materially and adversely affect our business operations and financial results.

Adverse weather conditions and other construction risks may affect the work progress of our projects. We are also subject to other construction risks such as fire, suspension of water and electricity supply

All of our projects are undertaken outdoor and may hence be affected by adverse weather conditions, such as rainstorms, tropical cyclones and continuous rain. These adverse weather conditions may cause difficulties to our Group in completing our projects on schedule. Any delay in completion of our projects may render our Group subject to penalty and may adversely affect our results of operation. Our Group may also have to subsequently accelerate work progress in order to catch up to meet the scheduled time for completion, inevitably incurring additional costs. In addition, there may also be other construction risks, such as fire and suspension of water and electricity supply, which our Group is subject to. These risks may not only affect work progress but also pose risks on building materials and equipment kept at the construction sites. Any loss arising from these risks may adversely affect our results of operation.

Our Group may not be able to completely prevent or deter fraud or other misconduct which may be committed by our employees or third parties

Our employees or third parties may commit fraud or other misconduct and such acts could subject our Group to financial losses and harm our business, operations and reputation. There is no assurance that they can be completely prevented or deterred even if extensive internal controls and corporate governance practices are in place. In addition to potential financial losses, improper acts of our employees or third parties could subject our Group to third party claims and regulatory investigations. Any such fraud or other misconduct committed against our Group, whether involving past acts or future acts, could have an adverse effect on our business, results of operation, financial performance and reputation.

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

Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, including, without limitation, the results of operations, financial condition, future prospects and other factors which our Directors may determine are important. For further details of the dividends of our Company, please refer to the section headed “Financial information – Dividends” of this prospectus. Our Group cannot guarantee if and when dividends will be paid in the future.

RISK FACTORS

Our Group engages direct or indirect labour by which industrial actions or strikes may be launch, which may affect our business

Typical construction works are divided into various disciplines, and industrial actions taken by any one discipline may disrupt the progress of our projects. We cannot assure that no industrial action and strike in relation to our business will be launched in the future. Should there be any such actions in the future, our project progress may be adversely affected, hence affecting our results of operation, financial performance and likelihood of securing future projects.

RISKS RELATING TO THE INDUSTRY OUR GROUP OPERATES

The construction industry in Hong Kong has been facing the problem of rising construction costs, including the costs of construction workers and construction materials

The costs of construction materials have demonstrated a general increasing trend over the past few years. The general increases in construction material cost are affected by, amongst other factors, the strong construction demand. In addition, the construction industry in Hong Kong is suffering from labour shortage, which is exacerbated by an aging workforce and the lack of skilled talent. This is mainly due to the growing construction industry in Hong Kong and the shortage of experienced and skillful labour as a number of skilled construction workers are approaching the age of retirement while young people are reluctant to join the construction industry. As a result of the shortage of construction workers, the average wage of general construction workers in Hong Kong keeps increasing. In view of the potential increase in the cost of installation labour and building materials used in our project, our business operations and financial conditions could be materially and adversely affected.

Our Group is dependent on market conditions, trends in the façade and curtain wall industry and relevant government policies in Hong Kong which may change adversely

All of our projects are currently located in Hong Kong. The future growth and level of profitability of the façade and curtain wall industry in Hong Kong are likely to depend primarily upon the continued availability of major construction projects, which in turn depend likely on, amongst others, the Hong Kong government's policies on the construction industry in Hong Kong, the investment of property developers and the general conditions and prospects of Hong Kong's economy. Please refer to the section headed "Industry overview" of this prospectus for more details. These factors may affect the availability of façade and curtain wall projects from the commercial and residential sectors, in which our Group principally operates. Should the demand for façade and curtain wall in Hong Kong deteriorates due to reasons including but not limited to the aforementioned, our results of operations and profitability could be adversely affected.

Our Group operates in a competitive industry

The construction industry in Hong Kong, including the façade and curtain wall industry, has a number of participants and is competitive. New participants could enter the industry if

RISK FACTORS

they have the appropriate skills, local experience, necessary business network and capital and are granted the requisite licences by the relevant regulatory bodies. Our Group faces competition from other subcontractors in the submission of tender for project contracts. Increased competition may lead to lower profit margins and loss of market share, and adversely affect our profitability and results of operation.

RISKS RELATING TO THE SHARE OFFER AND THE SHARES

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

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange does not guarantee the development of an active public market or the sustainability thereof following the completion of the Share Offer. There are factors that could cause the market price and trading volume of the Shares to change substantially, such as variations in our revenues, earnings and cash flows, strategic alliances or acquisitions made by our Company or our competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or fluctuation in the market prices for our services, the liquidity of the market for the Shares, and the general market sentiment regarding the industry. The Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Share Offer, and there is no assurance the trading price of the Shares will not decline below the Offer Price.

In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our control and unrelated to the performance of our business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, you may not be able to sell the Shares at or above the Offer Price.

Existing Shareholders' shareholding may experience dilution if our Company issues additional Shares in the future

Our Company may issue additional Shares upon exercise of the options that may be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue of new Shares 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 Company may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities 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.

The trading volume and share price of the Shares may fluctuate. Further, any disposal of a substantial number of the Shares by the Controlling Shareholders in the public market could adversely affect the market price of the Shares

The market price and liquidity of the Shares may be highly volatile as mentioned previously. Furthermore, there is no guarantee that the Controlling Shareholders will not

RISK FACTORS

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

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

Our Company's corporate affairs are governed by, amongst others, the Articles of Association, the Companies Law and common law. The rights of the Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to our Company are to a large extent governed by the Companies Law, common law and the Articles of Association. Common law is derived in part from comparatively limited judicial precedent in the common law jurisdictions, which may have persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. For further details, please refer to "Summary of the constitution of our Company and Cayman Islands company law" in Appendix III to this prospectus.

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" of this prospectus and elsewhere in this prospectus relating to the Hong Kong market of the construction industry have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. The information in the section headed "Industry overview" of this prospectus has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Co-Lead Manager, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Share Offer, and no representation is given as to its completeness, accuracy or fairness. Our Directors believe 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 Group 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, it cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be 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.

Investors should read the entire prospectus and our Group strongly caution you not to place any reliance on any information contained in press articles, other media and/or research reports regarding our Group, its business, its industry and the Share Offer

There may be press and media coverage regarding our Group or the Share Offer, which may include certain events, financial information, financial projections and other information

RISK FACTORS

about our Group that do not appear in this prospectus. Our Group has not authorised the disclosure of any other information not contained in this prospectus. Our Group does not accept any responsibility for any such press or media coverage and makes no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus and the Application Forms, our Group disclaims responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase the Shares, you should rely only on the financial, operational and other information included in this prospectus and the Application Forms.

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

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking statements” of 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 Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Co-Lead Manager, the Underwriters, any of their respective directors, advisers, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Share Offer.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sole Sponsor and managed by the Joint Bookrunners. The Offer Shares will be fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreements. For further information about the Underwriters and underwriting arrangements, please refer to the section headed “Underwriting” of this prospectus.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit any offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, any offer or invitation nor is it taken as an invitation or solicitation of offers in any jurisdiction or under any circumstances where such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

Each person acquiring the Offer Shares will be required to confirm, or by his or her acquisition of the Offer Shares be deemed to confirm, that he or she is aware of the restrictions on the offer of the Offer Shares described in this prospectus and/or the related Application Forms and that he or she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division of 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 on GEM and the Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme. Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. A total of 200,000,000 Offer Shares, representing 25% of the enlarged issued share capital of our Company, will be in the hands of the public immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) and upon Listing. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong.

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, our Shares. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Co-Lead Manager, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives (where applicable) or any other persons or parties involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, our Shares.

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Friday, 23 February 2018.

Shares will be traded in board lots of 8,000 Shares each and are freely transferable.

The GEM stock code for the Shares is 8532.

Our Company will not issue any temporary document of title.

LANGUAGE

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

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains translations for the convenience of the reader the following rates: HK dollars into US dollars at the rate of HK\$7.80 = US\$1.00 and HK dollars into RMB at the rate of HK\$1.00 = RMB0.81 as at the Latest Practicable Date. These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in HK\$ or US\$ can be or could have been at the relevant dates converted at the above rates or any other rates at all.

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

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
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Executive Directors

Mr. Chow Mo Lam (周武林)	Room 30A, Tower 10 South Horizons Ap Lei Chau Hong Kong	Chinese
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Mr. Yu Lap On Stephen (余立安)	Flat 804, Block A Kornhill Quarry Bay Hong Kong	Chinese
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Mr. Wong Kam Man (黃錦文)	Flat C, 14/F Hong Pak Mansion 6 Greig Road Quarry Bay Hong Kong	Chinese
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Independent non-executive Directors

Dr. Lung Cheuk Wah (龍卓華)	Flat 3, 30/F, Block A Kornhill Garden Quarry Bay Hong Kong	Chinese
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Mr. Ng Ka Lok (吳家樂)	Flat F, 7/F, Block 20 Double Cove Starview 8 Wu Kai Sha Road Ma On Shan New Territories	Chinese
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Mr. Wong Chi Yung (王志勇)	Room 19, 19/F Alder House Kwong Yuen Estate Sha Tin New Territories	Chinese
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Please refer to the section headed “Directors and senior management” of this prospectus for further details of our Directors and senior management.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sole Sponsor

Sunfund Capital Limited

A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

Unit 2620, 26/F, Admiralty Centre Tower 1
18 Harcourt Road
Admiralty
Hong Kong

Joint Bookrunners and Joint Lead Managers

Future Land Resources Securities Limited

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

6/F, Winbase Centre
208 Queen's Road Central
Central
Hong Kong

Huabang Securities Limited

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

Unit 2901-02, 29/F
Enterprise Square Two
3 Sheung Yuet Road
Kowloon Bay, Kowloon
Hong Kong

Co-Lead Manager

Sunfund Securities Limited

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

Unit 702-3, 7/F
100 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

As to Hong Kong law
Michael Li & Co
Solicitors, Hong Kong
19/F, Prosperity Tower
39 Queen's Road Central
Central, Hong Kong

As to PRC law
Dentons Law Offices
PRC attorneys-at-law
21/F, Yango Times Square
357 Xiangban Street, Taijiang District
Fuzhou, PRC

As to Cayman Islands law
Conyers Dill & Pearman
Cayman Islands legal counsel
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisers to the Sole Sponsor and the Underwriters

As to Hong Kong law
Loeb & Loeb LLP
Solicitors, Hong Kong
21st Floor, CCB Tower
3 Connaught Road Central
Hong Kong

As to PRC law
Kaitong Law Firm
PRC attorneys-at-law
Units 3409-3412 Guangzhou
CTF Finance Center, Zhujiang
New Town, Guangzhou, PRC

Reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Receiving bank

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Central, Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit 1206-7, 12th Floor Fortress Tower 250 King's Road North Point Hong Kong
Company's website	<u>www.polyfaircurtainwall.com.hk</u> (information of this website do not form part of this prospectus)
Company secretary	Wong Kam Yin, <i>HKICPA</i> Flat G, 23rd Floor, Block 7 Aldrich Garden 2 Oi Lai Street, Shau Kei Wan Hong Kong
Authorised representative	<p>Chow Mo Lam Room 30A, Tower 10 South Horizons Ap Lei Chau Hong Kong</p> <p>Yu Lap On Stephen Flat 804, Block A Kornhill Quarry Bay Hong Kong</p>
Compliance officer	Chow Mo Lam Room 30A, Tower 10 South Horizons Ap Lei Chau Hong Kong
Audit Committee	Lung Cheuk Wah (<i>Chairman</i>) Ng Ka Lok Wong Chi Yung

CORPORATE INFORMATION

Nomination Committee	Wong Chi Yung (<i>Chairman</i>) Lung Cheuk Wah Ng Ka Lok
Remuneration Committee	Ng Ka Lok (<i>Chairman</i>) Chow Mo Lam Yu Lap On Stephen Lung Cheuk Wah Wong Chi Yung
Cayman Islands principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen's Road Central Central, Hong Kong Citibank, N.A., Hong Kong Branch 21/F Citi Tower, One Bay East 83 Hoi Bun Road, Kwun Tong Kowloon, Hong Kong Nanyang Commercial Bank, Ltd. 151 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Compliance adviser

Sunfund Capital Limited

*A licensed corporation to carry out Type 6
(advising on corporate finance) regulated
activities under the SFO*

Unit 2620, 26th Floor, Tower 1

Admiralty Centre

18 Harcourt Road

Admiralty

Hong Kong

INDUSTRY OVERVIEW

We have extracted and derived the information and statistics in the section below, unless otherwise specified, from Ipsos Report. We believe that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We (excluding Ipsos) have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Co-Lead Manager, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Share Offer, and no representation is given as to its completeness, accuracy or fairness. Accordingly, you should not place undue reliance on the information in this section.

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

We commissioned Ipsos to conduct an analysis of, and to report on the façade and curtain wall works industry in Hong Kong at a fee of HK\$445,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company wholly-owned by Ipsos Group S.A.. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,600 personnel worldwide across 88 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Ipsos Business Consulting, a division of Ipsos, has solid experience in conducting market research for various industries in initial public offerings of companies listed on the Stock Exchange.

Research methodology

The information in Ipsos Report are derived by data and intelligence obtained by: (a) primary research via in-depth telephone conversations and face to face interviews with key knowledge leaders; (b) secondary desk research by gathering background information and to support facts and identify trends on the industry; and (c) performing client consultation to facilitate the research including in-house background information of the client (such as the business of our Group). The information and statistics as set forth in this section have been extracted from Ipsos Report.

Assumptions and parameters used in Ipsos Report

The following bases and assumptions are used in the market sizing and forecasting model in Ipsos Report:

- It is assumed that the global economy remains in steady growth over the forecast period.

INDUSTRY OVERVIEW

- The external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the façade and curtain wall works in Hong Kong from 2017 to 2021.

The following parameters are used in the market sizing and forecasting model in Ipsos Report:

- GDP and GDP growth rate in Hong Kong from 2012 to 2016 and forecast from 2017 to 2021.
- Gross output value of construction works performed by main contractors at constructions sites in Hong Kong from 2012 to 2016 and forecast from 2017 to 2021.
- Historical average wage trend for workers in construction industry in Hong Kong from 2012 to 2016.
- Historical price trend of aluminium from 2012 to 2016.
- Historical price trend of steel from 2012 to 2016.
- Historical price trend of glass from 2012 to 2016.
- Revenue of the façade and curtain wall works industry from 2012 to 2016 and forecast from 2017 to 2021.
- Historical average daily wage of direct labour related to façade and curtain wall works industry in Hong Kong from 2012 to 2016.

Our Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there is no adverse change in the market information since the date of Ipsos Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all the data and forecasts contained in this section are derived from Ipsos Report.

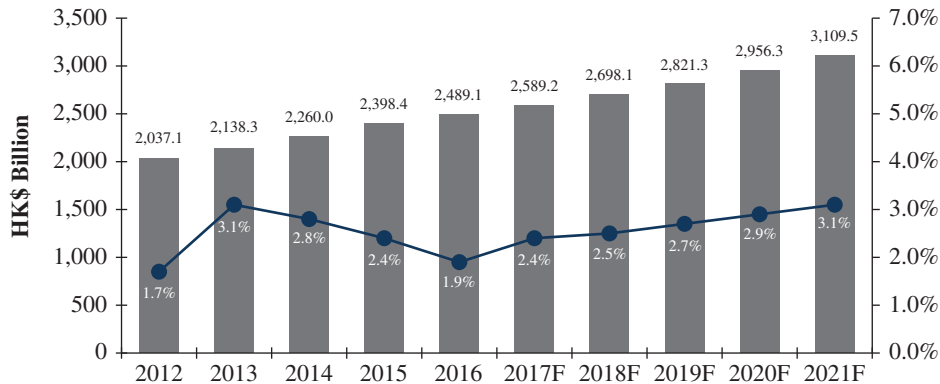
MACRO-ECONOMIC ENVIRONMENT HONG KONG

The GDP value of Hong Kong increased from HK\$2,037.1 billion in 2012 to HK\$2,489.1 billion in 2016 at a CAGR of approximately 5.1%. The increase is mainly attributed by the prudent development of tertiary industries including finance, tourism and real estate. From 2017 to 2021, it is projected that the GDP in Hong Kong will grow from HK\$2,589.2 billion in 2017 to HK\$3,109.5 billion in 2021, at a CAGR of approximately 4.7%.

Hong Kong's economy is largely affected by the global and China's economy. Hong Kong will benefit from the openness of its banking system which attracts investors, both foreign and Chinese companies, to invest in the property market. The GDP growth is also supported by infrastructure development, such as construction of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, connecting Hong Kong to its adjacent areas.

INDUSTRY OVERVIEW

GDP Growth in Hong Kong from 2012 to 2021F



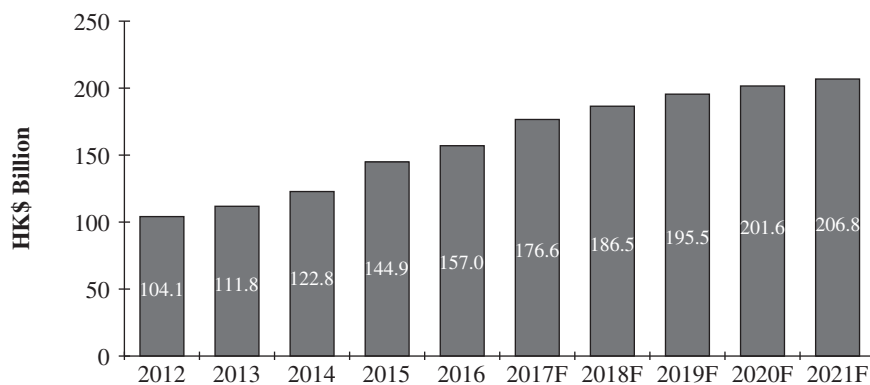
Sources: Census and Statistics Department, HKSAR; International Monetary Fund (IMF); Ipsos research and analysis

CONSTRUCTION INDUSTRY IN HONG KONG

The total gross output value of construction works performed by main contractors at construction sites in Hong Kong increased from HK\$104.1 billion in 2012 to HK\$157.0 billion in 2016, at a CAGR of approximately 10.8%. The significant growth was due to the rising demand of commercial and residential buildings, renovation and revitalization of industrial buildings and large-scale public infrastructure projects such as the Ten Mega Infrastructure Projects.

It is expected that the gross output value of work performed by main constructors at construction sites in Hong Kong will rise from HK\$176.6 billion in 2017 to HK\$206.8 billion in 2021 at a CAGR of approximately 4.0%. The growth is expected to be continuously driven by the Government's initiatives to increase the public housing supply, land supply for private housing and commercial buildings as well as the commencing and upcoming infrastructure projects.

Gross Output Value of Construction Works Performed by Main Contractors at Construction Sites in Hong Kong from 2012 to 2021



Source: Census and Statistics Department, HKSAR; 2016 Policy Address, HKSAR; 2016-17 Budget, HKSAR; Construction Industry Council, HKSAR; Hong Kong Institute of Surveyors, HKSAR; Ipsos research and analysis

INDUSTRY OVERVIEW

THE FAÇADE AND CURTAIN WALL WORKS INDUSTRY IN HONG KONG

Façade is generally referring to the exterior surface of the building. The external surface of a building can be made up of different materials, such as glass, granite and other cladding materials, or a combination of different materials. Curtain wall is typically supported by aluminum frames that are attached onto the slab edge of the building, which refers to the outer surface of the cement slabs separating the floors of a building.

In a typical new building project, façade and curtain walls works are considered part of the building construction works. To carry out the building construction works, the developer or the government will choose a main contractor to be responsible for the project management and the on-site construction. After a main contractor is selected, it will further tender different subcontractors in accordance with their expertise, such as foundation, site formation, building works as well as façade and curtain wall works. In this case, façade and curtain wall works contractors are engaged by the main contractor in the construction project. However, there are cases in which façade and curtain wall works contractors are nominated by the ultimate developers of a construction project and become nominated subcontractor. It is normal that the main contractor would prepare and settle the final account with its façade and curtain wall works subcontractors after the final account certification between the developer and main contractor for the project. It is also not uncommon that the settlement of final account between the main contractor and façade and curtain wall works subcontractor may occur at the time of expiry of defect liability date of the project. In addition, it is a normal practice that a warranty period would be provided by the subcontractor. In general, the warranty periods range from 10 to 15 years.

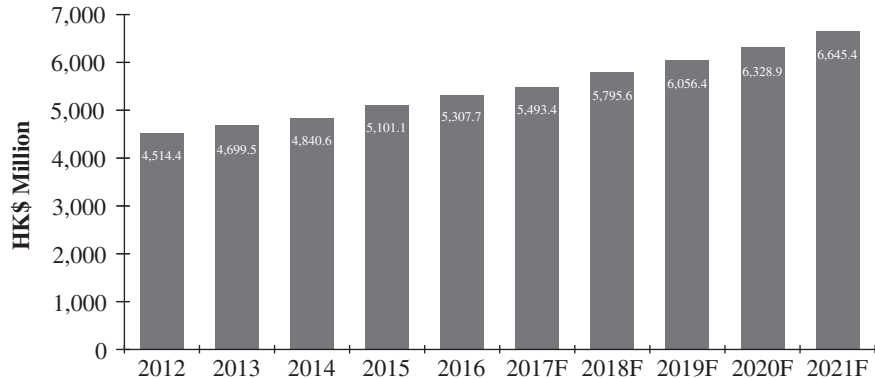
For maintenance projects, developers or shop retailers follow the same process flow as in a new building project. They will firstly engage with main contractors by tendering, and the selected main contractor may further choose façade and curtain wall works contractors for the façade and curtain wall renovation works.

It is a common industry practice that generally 10% of each progress payment will be withheld by the customers as retention money. It is also a common practice that the main contractor may require its subcontractors to procure a surety bond, which also known as performance or demand bond, issued by a bank or insurance company. The bond value normally equals to 10% of the project's contract sum. Main contractor may not require its subcontractors to procure surety bond, depending on their relationship and past working experience. This can also be part of the business negotiation.

In some cases that if the subcontractor fails to provide the required surety bond, the main contractor may (i) withhold certain percentages of the progress payments until the aggregate amount withheld reaches the amount of surety bonds as if they are procured; or (ii) withhold billing amount until the bonds are delivered to the developers and main contractors, at which time the amount withheld shall be released in the next certificate of stage completion following the delivery of the bonds.

INDUSTRY OVERVIEW

Revenue of the Façade and Curtain Wall Works Industry from 2012 to 2021

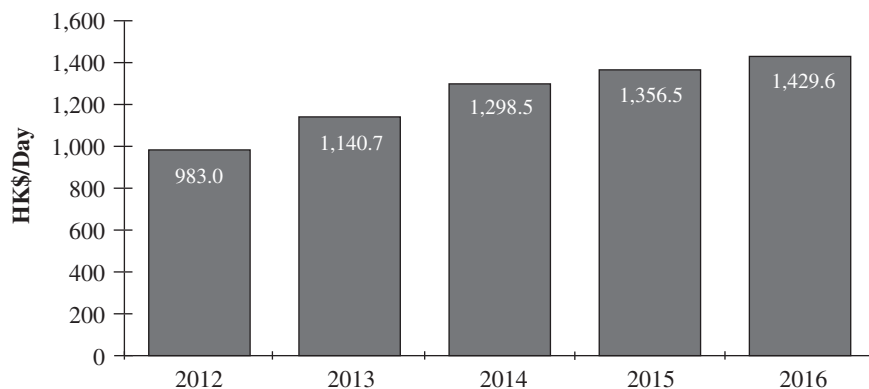


Source: Ipsos research and analysis

The revenue of the façade and curtain wall works industry increased from HK\$4,514.4 million in 2012 to HK\$5,307.7 million in 2016, at a positive CAGR of approximately 4.1%. The growth is attributed to the thriving construction industry as well as the increase in project fees. The increasing number of building projects which require façade and curtain wall works have generated demand for the industry, for example the “Energising Kowloon East” program, and the development of Mass Transit Railway (MTR) extension lines and the Kowloon West Cultural district. Furthermore, the government increases land supply by converting governmental property into land for private residential and commercial uses. The rising labour cost of construction workers from 2012 to 2016 led to price increases of façade and curtain wall works which ultimately caused the rising revenue of the industry.

The revenue of the industry is expected to continue with the upward trend from HK\$5,493.4 million in 2017 to HK\$6,645.4 million in 2021, at a CAGR of approximately 4.9%. This growth is supported by the trend towards high-tech materials such as coated glass for façade and curtain wall systems that improve building energy efficiency.

Average Daily Wage of Direct Labour Related to Façade and Curtain Wall Works in Hong Kong from 2012 to 2016



Sources: National Bureau of Statistics, PRC; Census and Statistic Department, HKSAR; Ipsos research and Analysis

INDUSTRY OVERVIEW

According to the Census and Statistics Department, the average daily wage of direct labour related to façade and curtain wall works increased significantly from HK\$983.0 in 2012 to HK\$1,429.6 in 2016, at a CAGR of 9.8%.

The increase in average daily wages reflects a shortage in qualified labour supply to perform work in the façade and curtain wall industry was mainly caused by the insufficient labour supply to the façade and curtain wall works industry. With the aging problem and the young people less willing to join the construction workforce. To circumvent, the industry offered higher daily wages to attract new labourers.

KEY MATERIALS USED IN FAÇADE AND CURTAIN WALL WORKS INDUSTRY IN HONG KONG

Raw materials	2012	2013	2014	2015	2016	CAGR for 2012-2016
Aluminium (HK\$/ton)	32,170.0	31,499.2	31,667.1	31,488.6	27,419.8	-3.9%
Steel (HK\$/ton)	7,640.7	6,594.7	7,023.8	5,879.7	5,646.3	-7.3%
Glass (HK\$/square meter)	151.0	151.0	157.0	157.0	157.0	1.0%

Sources: UN Comtrade; National Bureau of Statistics, PRC; International Trade Administration (ITA), International Steel Statistic Bureau (ISSB); Ipsos research and Analysis

Aluminium

The price of aluminium slightly decreased from HK\$32,170.0 per ton in 2012 to HK\$27,419.8 per ton in 2016, at a negative CAGR of approximately 3.9%. The decrease in aluminium price in Hong Kong was primarily caused by the overproduction of aluminium in China, the major supplier of Aluminium in Hong Kong. According to the National Bureau of Statistics, production of aluminium in China increased from 2.3 billion tons in 2012 to 3.2 billion tons in 2016. At the same time, the economic growth of China slowdown and demand for aluminium fell. With the decreasing export price of aluminum from China, Hong Kong has witnessed the price drop of aluminum from 2012 to 2016.

Steel

The price of steel decreased from HK\$7,640.7 per ton in 2012 to HK\$5,646.3 per ton in 2016 at a negative CAGR of 7.3%. The decreased price was mainly caused by over-production of steel in China. According to the International Trade Administration (ITA), from 2012 to 2016, the production volume of crude steel in China increased by approximately 10.0% while the consumption of steel in China increased by 2.2% from 2012 to 2016. This implies China as the major origin of imported steel in Hong Kong, the lower exporting price from China represented the decreased price of steel in Hong Kong from 2012 to 2015. The decrease continued to 2016 to ease the situation of over-production and high stock level of steel.

INDUSTRY OVERVIEW

Glass

According to the Census and Statistic Department, the price of glass slightly increased from HK\$151.0 per m² in 2012 to HK\$157.0 per m² in 2016, with a CAGR of approximately 1.0%.

The expansion of the property market in China was followed by an increase in demand for glass and respective increase in prices.

However, manufacturers of glass decreased the production volume of glass due to the economic slowdown in China since 2013. The growth rate of production of flat glass slowed down from 11.2% in 2013 to 1.1% in 2014. In 2015, production volume of flat glass experienced a negative growth rate of 8.6%.

MARKET DRIVERS

The demand for façade and curtain wall works is driven by construction of residential and commercial buildings. The development of residential buildings in Hong Kong has been a major driver of façade and curtain wall works and the number grew from 10,149 new units in 2012 to 14,595 new units in 2016, light weight curtain wall systems might be installed.

Another driver for the façade and curtain wall works industry are office buildings in Hong Kong where the government puts effort in developing areas like Kowloon East as new business areas. Between 2012 and 2016, 679,600 m² of new grade A office floor space has been built and 68% of it lies in non-core districts such as Kwun Tong. These buildings included both installation of curtain wall systems as the envelop system above the podium and the works for the building entrance, lobby and the associate stores.

Between 2012 and 2016, approximately 377,000 m² of new commercial floor space was constructed. The demand for façade and curtain wall works in the podium section is high for opening new branches of retail brands, especially for the cosmetic, luxury and jewelry industry.

Finally, several of the Hong Kong government's "Ten Mega Infrastructure Projects" make use of façade and curtain wall works, such as the Kai Tak Cruise Terminal which was commissioned in 2013 and the ongoing construction of the Hong Kong Children's Hospital.

ENTRY BARRIERS

The access to skilled manual labour and design engineers is a key entry barrier for the industry in which supply of both groups is limited. Established façade and curtain wall works companies can cope with increasing complexity of the designs required by customers. To the new entrants, it is important for them to be capable of installing the proposed design, under the design-and-build approach.

Customers prefer players with a proven track record, new entrants may find difficulties obtaining projects because they have limited past project experience to show to their customers.

INDUSTRY OVERVIEW

Capital requirement for subcontractors in the façade and curtain wall works industry remains significant as it is a general phenomenon to incur significant upfront costs in advance for new projects such as material costs, subcontracting charges and/or insurance expenses before receiving progress payments from their customers, additionally the subcontractors also need to continuously finance their existing projects.

OPPORTUNITIES

Major opportunities in Hong Kong are the transformation of Kowloon East and the development of new areas such as Yuen Long South, Kai Tak and Hung Shui Kiu. At the same time, the government invests in infrastructure and energy efficient buildings that make use of environmental friendly materials and demand for refurbishments, additions and alterations to existing buildings to improve the sustainability.

THREATS

Tourism and retail are two industries that have been driving demand for façade and curtain wall works in the past few years and are currently on a downward trend. The total number of tourists declined by 4.5% in 2016 while especially tourists from Mainland China reduced visits to Hong Kong. This decline of tourists with high purchasing power and spending on luxury brands led to a slowdown of the expansion of retail stores. This development is likely to reduce demand for façade and curtain wall works.

Another threat is the aging workforce where 42.9% of the registered 408,990 construction workers were over the age of 50 as of December 2016. Moreover, the young people are less willing to enter into the construction industry which has worsened the labor shortage issue.

COMPETITIVE LANDSCAPE OF THE FAÇADE AND CURTAIN WALL WORKS INDUSTRY

The façade and curtain wall works industry is considered mature and consolidated with approximately 30 to 40 major companies performing façade and curtain wall works in the industry in 2016. The top five players dominating the façade and curtain wall works industry account for 48.8% of the market share. The remaining market players accounted for 51.2% of the market share. Our revenue was approximately HK\$109.6 million for the year ended 31 March 2017, accounting for 2.1% of the façade and curtain wall works industry.

Rank	Company	Headquarters Location	Key Product/Service Coverage	Estimated Revenue in 2016 (HK\$ Million)	Share of Total Industry Revenue (%)
1	Company A	Italy	Provides services in design, fabrication and installation of façade and curtain wall.	809.4	15.2%

INDUSTRY OVERVIEW

Rank	Company	Headquarters Location	Key Product/Service Coverage	Estimated Revenue in 2016 (HK\$ Million)	Share of Total Industry Revenue (%)
2	Company B	Hong Kong	Provides services in design, supply and installation of curtain wall systems in Hong Kong.	723.7	13.6%
3	Company C	Japan	Provides services in design, supply and installation of curtain wall systems in Hong Kong.	437.3	8.2%
4	Company D	Hong Kong	Provides services in design, fabrication and installation of façade.	328.8	6.2%
5	Company E	Hong Kong	Provides design, fabrication, installation, testing and maintenance of curtain wall systems in Hong Kong.	292.7	5.5%
	Others			2,715.8	51.2%
N/A	Our Group	Hong Kong		109.6	2.1%
	Total			5,307.7	100.0%

Source: Ipsos research and analysis

REGULATORY OVERVIEW

OVERVIEW

Our Group is a subcontractor that provides façade and curtain wall works solutions in Hong Kong. This part sets out summaries of certain aspects of Hong Kong laws, rules and regulations which are material to our operation and business.

HONG KONG

Laws and Regulations in relation to curtain wall installation

Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)

According to section 17 of the Buildings Ordinance, where an application is made to the Building Authority in respect of approval of plans showing, or consent to commence, building works, he may take such action by way of imposing conditions and requirements for, among others, qualified supervision. The Secretary for Development has issued the Technical Memorandum for Supervision Plans 2009 under section 39A of the Buildings Ordinance, setting out the principles, requirements and operation of, inter alia, Site Safety Supervision Plan (SSSP) and further supplements the provisions of the Buildings Ordinance governing the supervision of building works and street works.

SSSP is a plan setting out the plan of safety management of building works or street works. It should be drawn up by the authorised person, the registered structural engineer, the registered geotechnical engineer, the authorised signatory of the registered contractor appointed for the building works or street works and any other person as necessary, to address quality supervision and characterise the particular site safety related features and hazards of the whole works.

SSSP is required to be lodged with the Building Authority prior to or at the time of application for consent to the commencement of building works or street works or as a result of carrying out urgent works. SSSP is a pre-requisite to the issue of consent by the Building Authority for the carrying out of the building works or street works referred to in the plan. Pursuant to the Technical Memorandum for Supervision Plans 2009, the authorised person, the registered structural engineer, the registered geotechnical engineer, the registered contractor and the technically competent persons (the “TCP(s)”) of the appropriate grades they appointed (either full time or part time depending on the type of building works or street works involved) shall each have a role to play in safety management.

REGULATORY OVERVIEW

The Technical Memorandum for Supervision Plans 2009 set out the minimum qualifications and experience required for each grade of TCP for site supervision, which are summarised in the table below:

Grade of TCP	Minimum qualifications and experience required for each grade of TCP for site supervision
T1	A certificate or diploma holder with minimum total relevant working experience of 2 years to the satisfaction of the Building Authority
T2	A higher certificate or higher diploma holder with minimum total relevant working experience of 3 years to the satisfaction of the Building Authority
T3	A higher certificate or higher diploma holder with minimum total relevant working experience of 5 years, or a degree holder with minimum total relevant working experience of 2 years to the satisfaction of the Building Authority
T4	A degree holder with minimum total relevant working experience of 4 years to the satisfaction of the Building Authority or a registered professional
T5	A registered professional with minimum total relevant working experience of 5 years to the satisfaction of the Building Authority

Building (Construction) Regulations (Chapter 123B of the Laws of Hong Kong)

Curtain walls shall be designed to meet the specific requirements set out in Regulation 43 of the Building (Construction) Regulations. Under the Building (Construction) Regulations, curtain wall plans shall be submitted to the Building Authority for approval to ensure that curtain walls are constructed entirely of non-combustible materials and are designed in accordance with recognised engineering principles relating to the design and structural use of materials for curtain wall construction in Hong Kong.

Under Regulation 43(6) of the Building (Construction) Regulations, all curtain wall systems are required to undergo a safety test. The test should be carried out by an independent laboratory accredited by The Hong Kong Laboratory Accreditation Scheme (“HOKLAS”) or by other laboratory accreditation bodies which have reached mutual recognition agreements/arrangements with HOKLAS. The test carried out by an accredited laboratory should be within its scope of accreditation. The test reports should be made on a HOKLAS Endorsed Certificate or equivalent Certificate/Report and be also appended with a statement signed by the registered structural engineer who has prepared the plans to confirm the acceptance criteria appropriate to the test have been complied with. They should be submitted prior to the application of an occupation permit.

REGULATORY OVERVIEW

Subcontractor Registration Scheme

A main contractor involved in public works contracted to them involving structural works, finishing works and/or electrical and mechanical works under the Primary Register of the Subcontractor Registration Scheme of the Construction Industry Council shall only engage subcontractors who are registered under the Subcontractor Registration Scheme of the Construction Industry Council.

Subcontractors which are involved in, among others, window fabrication and installation in Hong Kong may apply for registration as a registered subcontractor under the Subcontractor Registration Scheme of the Construction Industry Council (建造業議會).

If a registered subcontractor further subcontracts or sublets any part of the part of public sector works subcontracted to them involving trades available under the Primary Register of the Subcontractor Registration Scheme of the Construction Industry Council, the main contractor shall ensure that all subcontractors (irrespective of tier) are registered subcontractors under their relevant trades in the Primary Register of the Subcontractor Registration Scheme of the Construction Industry Council.

Under the Subcontractor Registration Scheme, an applicant for registration as a registered subcontractor is subject to entry requirements including (i) proof of completion of at least one job within five years as a principal contractor or subcontractor in the areas which it is applying to or comparable experience by itself or through its proprietors, partners or directors within the last five years; (ii) listings on one or more government registration schemes relevant to the trades and specialities for which registration is sought; or (iii) having been employed, whether by itself or through its proprietors, partners or directors having been employed by a registered subcontractor for at least five years with experience in the trade or specialty which it is applying to and having completed all the modules of the Project Management Training Series for Subcontractors (or equivalent) conducted by the Construction Industry Council.

A registered subcontractor under the Subcontractor Registration Scheme shall apply for renewal within three months before the expiry date of its registration by submitting an application for renewal to the Construction Industry Council and providing information and supporting documents to show continued compliance with the aforesaid entry requirements, which shall be subject to the approval by the management committee of the Construction Industry Council. An approved renewal of registration shall be valid for two years from the expiry of the current registration.

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 Subcontractor Registration Scheme). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the management committee of the Construction Industry Council.

REGULATORY OVERVIEW

Generally speaking, as long as the principal contractor holds all the required registrations for the project, the subcontractors are not required to hold the same registrations as the main contractors in public projects. However, being registered on the Subcontractor Registration Scheme at the Construction Industry Council is required for subcontractors to participate in public projects commissioned by certain Government departments and statutory bodies, including the Airport Authority, Development Bureau and the Housing Authority. Currently, Polyfair HK is registered under the Subcontractors Registration Scheme of the Construction Industry Council in the finishing trade group and therefore Polyfair HK is allowed to be engaged by principal contractor to participate in public works which involves windows and fabrication and installation.

Laws and Regulations in Relation to Construction Labour, Health and Safety

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 the industrial undertakings. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking, including construction work, to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor 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.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. 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 wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months.

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

REGULATORY OVERVIEW

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;
- 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 employees that is safe and without risks to health.

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

The Commission for Labour may also issue an improvement notice against non-compliance of the Occupational Safety and Health 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 an improvement notice or a suspension notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and imprisonment of up to 12 months and HK\$500,000 and imprisonment of up to 12 months respectively.

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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 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 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The principal contractor is, nonetheless, entitled to be indemnified by the subcontractor 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 the Employees' Compensation Ordinance to secure an insurance cover is liable (a) on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for two years; and (b) on summary conviction to a fine of HK\$100,000 and to imprisonment for one year.

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

Pursuant to Section 43C of the Employment Ordinance, if any wages become due to the 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

REGULATORY OVERVIEW

Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. However, a principal contractor's liability shall be limited to (i) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of such work; and (ii) the wages due to such employee for two months (being the first two months of the period in respect of which the wages are due) without any deductions.

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

Where applicable, within 14 days of receipt of such notice, the principal contractor shall serve a copy of the notice on every superior subcontractor to that subcontractor of whom it is aware. A principal contractor who without reasonable excuse fails to serve such notice on every superior subcontractor to that subcontractor shall be liable on conviction to a fine of HK\$50,000.

Additionally, under section 43F of the Employment Ordinance, if a principal contractor or superior contractor pays to an employee any wages under section 43C of the Employment Ordinance, such wages shall be a debt due by the employer of that employee to the principal contractor or superior contractor, as the case may be. The principal contractor or superior contractor may either (i) claim contribution from every superior subcontractor to the indebted employer or from the principal contractor and every superior subcontractor to the indebted employer, as the case may be; or (ii) deduct by way of set-off the amount paid by it from any sum due or may become due to the indebted employer in respect of the work to whom it has been subcontracted.

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 lawfully on the land.

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

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.

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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.

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 the Minimum Wage Ordinance is void.

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

The Mandatory Provident Fund Schemes Ordinance requires our Group to provide retirement benefits to the employees. Under the said Ordinance, except for exempted persons, employees (full-time and part-time) and self-employed persons who are between 18 to 65 years of age are required to join a Mandatory Provident Fund Scheme.

Laws and Regulations in Relation to Environmental Protection

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

The Air Pollution Control Ordinance 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.

Where applicable, 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 311O 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). For instance, 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.

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

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

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) in populated areas are not allowed between 7:00 p.m. and 7:00 a.m. or at any time 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 through the construction noise permit system.

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.

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 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.

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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.

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 of 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 is HK\$10,000 (level 3) 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 conviction.

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

Any accumulation of refuse which is a nuisance or injurious to health 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 HK\$10,000 (level 3) upon conviction and a daily fine of HK\$200.

The PRC

This part sets out summaries of the principal PRC laws and regulations governing our operation in the PRC.

REGULATORY OVERVIEW

Laws and Regulations Relating to Company Establishment and Foreign Investment

The establishment, operation and registration of corporate entities in the PRC are governed by several applicable laws in the PRC, such as the *Company Law of the PRC* (《中華人民共和國公司法》) (the “**PRC Company Law**”), which was promulgated on 29 December 1993, and amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, and the Regulations of the PRC on the Administration of Company Registration (《中華人民共和國公司登記管理條例》) (the “**Regulations on Company Registration**”), which was promulgated on 24 June 1994, and amended on 18 December 2005, 19 February 2014, and on 6 February 2016.

The PRC Company Law regulates the organisation and activities of a company, and safeguards the legitimate rights and interests of the company, its shareholders and creditors. The PRC Company Law generally classifies companies into two categories, namely limited liability companies and limited companies by shares. The latest amendment of the PRC Company Law, effective on 1 March 2014, has cancelled the minimum amount requirement for registered capital, and removed the requirement for initial payment of a company’s registered capital as well as removed the statutory timeframe for the payment of all registered capital. Pursuant to the PRC Company Law and the Regulations on Company Registration, except where laws on foreign investment provided otherwise, the PRC Company Law and the Regulations on Company Registration shall also apply to foreign-invested limited liability company and foreign-invested limited company by shares.

On 12 April 1986, the 4th Meeting of the Sixth NPC adopted the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》) (the “**Wholly Foreign-owned Enterprises Law**”), and later amended it on 31 October 2000 in accordance with the Decision on Modifying the Law of the PRC on Foreign-funded Enterprises (《關於修改〈中華人民共和國外資企業法〉的決定》) which was adopted at 18th Meeting of the Standing Committee of the Ninth NPC on 31 October 2000. The Wholly Foreign-owned Enterprises Law was last amended in accordance with the Decision on Modifying the Law of the People’s Republic of China on Foreign-funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) adopted at the 22th Meeting of the Standing Committee of the Twelfth NPC on 3 September 2016.

Pursuant to the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (the “**Foreign-funded Enterprises Measures**”), which were examined and approved by the 83rd Ministerial Meeting of the Ministry of Commerce, and were promulgated on 8 October 2016 and later amended on 30 July 2017, if the incorporation and change of a foreign-funded enterprise does not involve the implementation of special access administrative measures prescribed by the State, the Foreign-funded Enterprises Measures shall apply, and such a foreign-invested enterprise shall go through the record-filing procedures instead of the approval procedures. If the investment made by investors in the Hong Kong Special Administrative Region, the Macao Special Administrative Region or Taiwan region does not involve the implementation of special access administrative measures prescribed by the State, the Foreign-funded Enterprises Measures shall apply as well.

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Pursuant to the Wholly Foreign-owned Enterprises Law, “Wholly Foreign-owned Enterprises (the “WFOE”) refer to those enterprises established in the PRC, exclusively, by foreign investors, in accordance with the relevant PRC laws and regulations.” The term does not include branches set up in the PRC by foreign enterprises and other foreign economic organisations.

A WFOE shall take the form of a limited liability company. It may also take other forms of organisation with approval. Where a wholly foreign-owned enterprise is a limited liability company, the foreign investor shall be liable to the enterprise within the limit of the capital subscribed by it. Where a WFOE takes other forms of organisation, the liability of the foreign investor to the enterprise shall be determined according to the Chinese laws and regulations.

Pursuant to Catalogue of Industries for Guiding Foreign Investment (Amended in 2017) (《外商投資產業指導目錄(2017年修訂)》) (the “Catalogue”), which was promulgated on 28 July 2017 and became effective on 28 July 2017, foreign investment industries are classified into three categories, the encouraged category, the restricted category and the prohibited category, while industries not listed therein are generally permitted to foreign investment unless other PRC laws required otherwise. Under the Catalogue, the industry in which our PRC subsidiary is mainly engaged in does not fall into the “restricted” or “prohibited” foreign investment industries.

Laws and Regulations Relating to Employment and Social Insurance

We are subject to labour and safety laws and regulations in the PRC. According to the PRC Labour Law (《中華人民共和國勞動法》), promulgated on 5 July 1994, effective on 1 January 1995 and amended on 27 August 2009, and the PRC Labour Contract Law, (《中華人民共和國勞動合同法》), which was promulgated on 29 June 2007, became effective on 1 January 2008 and was amended on 28 December 2012, labour contracts in written form must be executed to establish labour relationships between employers and employees. Wages cannot be lower than the local minimum wage. Companies must establish a system for labour safety and sanitation, strictly abide by state standards, and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions meeting state rules and standards, and carry out regular health examinations of employees engaged in hazardous occupations.

As required under the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was implemented on 1 July 2011, the Regulations of Insurance for Labour Injury (《工傷保險條例》), which was implemented on 1 January 2004, amended on 20 December 2010 and came into effect on 1 January 2011, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》), which was implemented on 1 January 1995, the Decisions of the State Council Regarding the Establishment of A Unified Pension Program for Employees of Corporations (《國務院關於建立統一的企業職工基本養老保險制度的決定》), which was issued on 16 July 1997, the Decisions of the State Council Regarding the Establishment of the Medical Insurance Program for Urban Workers (《國務院關於建立城鎮職工基本醫療保險制度的決定》), which was promulgated on 14 December

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1998, and the Regulations of Unemployment Insurance (《失業保險條例》), which was promulgated on 22 January 1999, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance. Enterprises must apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise fails to pay the required social insurance premiums on time or in full, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine. If the overdue amount is still not settled within the stipulated time period, an additional fine in an amount of three to five times of the overdue amount will be imposed.

According to the Regulations Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on 3 April 1999, became effective on the same day and was amended on 24 March 2002, enterprises shall register with the competent managing centre for housing funds and, upon the examination by such managing centre of housing fund, complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Employers are required to contribute, on behalf of their employees, to housing funds. If an enterprise fails to conduct its registration for housing provident fund or to open special housing provident fund accounts for its employees, it may be ordered by the relevant housing fund management center for registration and account opening within a specified time. The enterprise may also be liable for a fine of RMB10,000 to RMB50,000 if it fails to conduct aforesaid process overdue. If an enterprise fails to pay or underpay housing fund, it may be ordered by relevant housing provident fund management center to make the payment, and a forcible execution may be conducted by a people's court if the enterprise fails to pay overdue.

Laws and Regulations Relating to Foreign Exchange

The Administrative Regulation regarding Foreign Exchange Settlement, Sales and Payment (《中國人民銀行關於發佈<結匯、售匯及付匯管理規定>的命令》), promulgated on 20 June 1996 and effective on 1 July 1996, contains detailed provisions regulating the settlement, sale and payment of foreign exchange by enterprises, individuals, foreign organisations and visitors in the PRC, and the Regulation on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Regulation**”), promulgated on 29 January 1996 and amended on 14 January 1997 and 5 August 2008, contains detailed provisions in relation to foreign exchange control.

The Foreign Exchange Regulation is applicable to all activities related to the foreign exchange receipts and disbursements, transactions of domestic corporations and individuals, and activities of overseas corporations and individuals within the territory of the PRC. Pursuant to the Foreign Exchange Regulation, the foreign exchange earnings of domestic institutions and domestic individuals can be repatriated or deposited abroad, and the specific conditions and time limits are to be prescribed by the foreign exchange authority under the State Council pursuant to the balance of payments and the need of foreign exchange control. The disbursements and transfers of funds across the border are classified under current account

REGULATORY OVERVIEW

transactions and capital account transactions. Foreign exchange earnings obtained from current account transactions can be retained or sold to the banks conducting the sale and purchase of foreign exchange. The retaining or selling of the foreign exchange earnings obtained from capital account shall be subject to the approval of foreign exchange authorities, unless the state provides that no approval is needed. Enterprises within the PRC which require foreign exchange for their ordinary trading and non-trading activities, import activities and repayment of foreign debts may purchase foreign exchange from designated banks if the application is supported by the relevant documents. Furthermore, foreign-invested enterprises may distribute profit to their foreign investors with funds in their foreign exchange bank accounts kept with designated banks. Should such foreign exchange be insufficient, enterprises may purchase foreign exchange from designated banks upon the presentation of the resolutions of the directors on the profit distribution plan of the particular enterprise.

On 21 July 2005, the Public Announcement of the People's Bank of China of Reforming the RMB Exchange Rate Regime (《中國人民銀行關於完善人民幣匯率形成機制改革的公告》) was promulgated, under which RMB was no longer pegged to the US\$ accordingly. The RMB exchange rate system was improved with reference to a basket of currencies and with greater flexibility.

The Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration Applicable to Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular 13**”), which was issued on 13 February 2015 and became effective on 1 June 2015, canceled two administrative approval items: confirmation of foreign exchange registration under domestic direct investment and confirmation of foreign exchange registration under overseas direct investment. After this Notice comes into force, banks that have obtained financial institution identification codes from foreign exchange authorities and have connected to the Capital Account Information System with the local foreign exchange authorities may directly handle the foreign exchange registration of direct investment for domestic foreign-invested enterprises and overseas enterprises' domestic investors through the Capital Account Information System.

According to the Circular on Further Improving and Adjusting Foreign Exchange Administration Policies on Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the “**Circular 59**”), which was issued on 19 November 2012 by the SAFE, last amended and effected on 4 May 2015, the SAFE approval procedures for the following have been cancelled: the opening of and capital transfer into foreign exchange accounts under direct investment, the opening of front-end expense foreign exchange accounts, foreign exchange capital accounts, asset realisation accounts, and margin accounts. Banks shall handle account opening formalities for account applicants based on the information registered in relevant business systems of foreign exchange bureaus.

Laws and Regulations Relating to Taxation

(1) Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), promulgated on 16 March 2007, effective on 1 January 2008 and amended on 24 February 2017, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “**EIT Rules**”), promulgated on 6 December 2007 and effective on 1 January 2008, the income tax rate for both domestic enterprises and foreign-invested enterprises is 25%.

(2) Income Tax on Share Transfer of Non-Resident Enterprises

On 10 December 2009, the State Administration of Taxation (the “**SAT**”) issued the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprise (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**Circular 698**”), which became effective retroactively as of 1 January 2008 and was amended on 12 December 2013 and 3 February 2015. On 3 February 2015, the SAT issued the Announcement of the SAT on Certain Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**Announcement 7**”). Announcement 7 annulled and replaced the relevant provisions of Circular 698 regarding the indirect transfer of equity interests in a PRC resident enterprise.

Pursuant to Announcement 7, if a non-PRC resident enterprise, without any reasonable commercial purpose, transfers its equity interests in an offshore enterprise which directly or indirectly owns PRC taxable assets, such transfer shall be deemed as a direct transfer of PRC taxable properties. Factors that may be taken into consideration in determining whether there is a “reasonable commercial purpose” include, among others, whether the value of the equities of an offshore enterprise directly or indirectly arises mainly from PRC taxable assets, whether the assets of an offshore enterprise consist mainly of direct or indirect investment made within the territory of PRC, or whether the income it obtains directly or indirectly arises mainly from within the territory of PRC, whether the functions actually fulfilled and risks assumed by an offshore enterprise or its affiliated enterprise directly or indirectly holding Chinese taxable assets are able to prove that the enterprise structure has the economic nature, the shareholders, business model and the duration of the relevant organisational structure of an offshore enterprise, the income tax payable abroad on the income from the indirect transfer of PRC taxable assets, Whether the equity transferor’s indirect investment in and indirect transfer of PRC taxable assets may be substituted by the direct investment in and direct transfer of Chinese taxable assets, tax convention or arrangement that is applicable in PRC to the income from the indirect transfer of PRC taxable assets, and other relevant factors.

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Pursuant to Announcement 7, the indirect transfer of the PRC taxable assets will not be subject to EIT in the PRC if the overall arrangements relating such indirect transfer fulfill one of the following conditions: (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling equity interests of a listed overseas company on a public market; and (ii) where the non-resident enterprise had directly held and transferred such PRC taxable assets, the income from the transfer of such PRC taxable assets would have been exempted from EIT tax in the PRC under an applicable tax treaty or arrangement.

(3) Dividend Tax

Under the EIT Law and EIT Rules, wholly foreign-owned enterprises and joint ventures in China may pay dividends only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, wholly foreign-invested enterprises in China are required to allocate at least 10% of their accumulated after-tax profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprise. These reserves are not distributable as cash dividends.

Further, dividends payable by a foreign-invested enterprise to its foreign investors will be subject to a 10% withholding tax if the foreign investors are considered as non-resident enterprises that are without any establishment or premise of business within China or if the dividends payable to such foreign investors do not have any connection with the establishment or premises of business of the foreign investors within China, to the extent that the dividends are deemed China-sourced income, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement.

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which became effective on 8 December 2006, was later amended on 1 April 2015 and became effective on 9 March 2016, a PRC resident enterprise that distributes dividends to its Hong Kong shareholders should pay income tax according to PRC laws; however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the PRC resident enterprise (the dividend distributor), the tax levied shall be 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise directly holding less than 25% equity interests of the PRC enterprise, the tax levied shall be 10% of the total distributed dividends.

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In addition, pursuant to the Notice of the State Administration of Taxation on Issues Concerning the Implementation of Dividend Clauses of Tax Agreement (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was issued by the SAT on 20 February 2009, all of the following requirements should be satisfied for a tax resident of the counterparty to the tax treaty to enjoy the preferential tax rates provided in the tax agreements: (1) the tax resident who obtains dividends should be a company as provided in the tax treaty; (2) the equity interests and voting shares of the PRC resident company directly owned by such a tax resident reach a specified percentage; (3) the capital ratio of the PRC resident company directly owned by such tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Pursuant to the Announcement of the SAT on Promulgation of the “Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties” (《國家稅務局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》) which became effective on 1 November 2015, non-resident taxpayers that satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, and shall be subject to a follow-up administration by tax authorities.

(4) *Value-Added Tax (“VAT”)*

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (“**VAT Regulation**”), which was promulgated on 13 December 1993, effective from 1 January 1994 and amended on 6 February 2016, and the Detailed Rules for the Implementation of the Interim Regulation of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》), which became effective on 1 January 2009 and was amended on 28 October 2011, all domestic and foreign-invested enterprises that engage in the sale or importation of commodities, and the provision of processing or reparation labour, are required to pay VAT. Except for the sales or importation of certain commodities which are entitled to a VAT rate of 13%, the sales or importation of commodities and the provision of processing or reparation labour are subject to a tax rate of 17%.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 May 2017 in preparation for the Listing and is the holding company of our Group. As at the Latest Practicable Date, the subsidiaries of our Company comprised Polyfair Group, Polyfair HK and Polyfair SZ. Details of these subsidiaries and the corporate structure of our Group are set out in the sub-section headed “Establishment and development of the subsidiaries of our Company” in this section.

Prior to the Listing, our Group underwent the Reorganisation and, immediately following the completion of the Reorganisation, the entire issued share capital of our Company was owned by C.N.Y. Holdings, which was in turn owned as to 83.0% by Mr. Chow and 17.0% by Mr. Yu.

Immediately following the completion of the Listing, C.N.Y. Holdings will own 75.0% of the issued share capital in our Company (without taking into account any Share which may be allotted and issued upon exercise of any option which may be granted under the Share Option Scheme).

CORPORATE HISTORY AND BUSINESS DEVELOPMENT

The history of our Group can be traced back to 2006 when Mr. Chow, an executive Director, the chairman of the Board and a Controlling Shareholder of our Company, co-founded Polyfair HK with other founding members. To the best knowledge of our Directors, Mr. Chow financed his part in Polyfair HK with his personal resources accumulated from his previous employments before Polyfair HK was established. Since the establishment of Polyfair HK and up to 25 February 2013, all founding members except Mr. Chow had resigned from their respective positions and disposed of their equity interest in Polyfair HK. On 25 February 2013, Mr. Chow became the only founding member remaining at Polyfair HK.

On 1 April 2009, Mr. Yu joined Polyfair HK. As an incentive for Mr. Yu to contribute to the development of Polyfair HK in the future, Mr. Chow and Mr. Yu entered into a trust arrangement, pursuant to which Mr. Chow agreed to transfer his interest of 510,000 shares in Polyfair HK to Mr. Yu with effect from 1 April 2009 and such shares were held on trust by Mr. Chow for Mr. Yu. On 8 February 2012, Mr. Chow transferred the 510,000 shares in Polyfair HK to Mr. Yu at Mr. Chow’s direction.

Through a number of share transfers and allotments, immediately before the Reorganisation, Mr. Chow and Mr. Yu directly owned 83% and 17% equity interest in Polyfair HK, respectively.

Since its establishment, Polyfair HK has been providing façade and curtain wall works solutions in Hong Kong. Polyfair HK has completed façade and curtain wall works for various commercial and residential buildings, and has undertaken a project for a large-scale residential complex, namely the Victoria Skye located in the Kai Tak district.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Since 2007, Polyfair HK has been a registered subcontractor under the Subcontractor Registration Scheme with the Construction Industry Council.

Milestones of our Group

The following is a chronological summary of our milestones of business development:

Year	Milestone
2006	Mr. Chow co-founded Polyfair HK with other founding members
2007	We joined the Subcontractor Registration Scheme
	We completed a project for a commercial building located at Hung To Road, Kwun Tong
2011	We completed a project for a residential building located at Hoi Wang Road, South West Kowloon
2013	We completed a project for an industrial building located at Hoi Shing Road, Tsuen Wan
	We were awarded the name “good performance of contractors” by a customer who is a subsidiary of a listed company in Hong Kong
2015	We completed a project for a commercial building located at Tsun Yip Street, Kwun Tong
	We completed a project for a residential building located at Lee Tung Street, Wan Chai
2016	We completed a project for a commercial building located at On Kwan Street, Shek Mun, Shatin
	We commenced a project for residential buildings at Muk Ning Street, Kai Tak, Kowloon
2017	Polyfair SZ was established in the PRC on 9 January 2017 as a wholly foreign-owned enterprise, the entire equity interest of which is held by Polyfair HK. Polyfair SZ principally engages in the design of façade and curtain wall
	Our Company was incorporated in the Cayman Islands on 25 May 2017 as part of the Reorganisation for the purpose of the Listing

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

ESTABLISHMENT AND DEVELOPMENT OF THE SUBSIDIARIES OF OUR COMPANY

As at the Latest Practicable Date, our Group mainly comprised our Company, Polyfair Group, Polyfair HK and Polyfair SZ. Set out below is the brief corporate history of the subsidiaries of our Company.

Polyfair HK

Polyfair Construction & Engineering Limited was incorporated in Hong Kong on 9 February 2006 with limited liability. During the Track Record Period and up to the Latest Practicable Date, Polyfair HK principally engaged in the provision of façade and curtain wall works solutions in Hong Kong.

In 2007, we completed our first project for curtain wall works as a subcontractor for a commercial building, which marked our first footprint in undertaking façade and curtain wall works in Hong Kong. Since then we have provided façade and curtain wall works services regarding various buildings with a variety of contract sums. In May 2016, we were awarded a residential building project with a contract sum of HK\$181,000,000. Based on the market knowledge and understanding of the management of the Group, the key selection criteria of our customers are track record, quality of work, design capability and project management capability in handling façade and curtain wall works and our Directors believe that our track record gives us a competitive edge in pursuing new business opportunities.

In 2012, the then shareholders of Polyfair HK intended to introduce new investors into Polyfair HK to consolidate the experiences of other industry professionals at the time, thereby facilitating the business expansion and long-term development of Polyfair HK. Guangdong Grand Shine Construction Material Co., Ltd.* (廣東廣新建材物資有限公司) (“**Grand Shine**”), a state-owned enterprise in the PRC, was eventually introduced into Polyfair HK as a new investor at the time. Grand Shine was one of Polyfair HK’s suppliers at the material time and mainly engaged in the manufacturing and trading of construction materials.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 25 February 2013, Grand Shine acquired 60% of the entire equity interest in Polyfair HK at the material time from Mr. Chow and Mr. Yu Kin Keung at the consideration of HK\$2,168,674.50 (the “**Acquisition**”). After completion of the Acquisition, Polyfair HK became a subsidiary of Grand Shine. The following table sets forth the shareholding structure of Polyfair HK immediately before and after the Acquisition:

(i) immediately before the Acquisition

Name of shareholder	Shares held	Percentage of shareholding
Mr. Chow	1,590,000	53.0%
Mr. Yu Kin Keung	900,000	30.0%
Mr. Yu	510,000	17.0%
Total	3,000,000	100.0%

(ii) immediately after the Acquisition

Name of shareholder	Shares held	Percentage of shareholding
Grand Shine	1,800,000	60.0%
Mr. Chow	690,000	23.0%
Mr. Yu	510,000	17.0%
Total	3,000,000	100.0%

After completion of the Acquisition, the board of directors of Polyfair HK was reorganised. While Grand Shine appointed three directors into the board, Mr. Yu guaranteed to remain at Polyfair HK for five years starting from completion of the Acquisition and Mr. Chow continued his duty in Polyfair HK.

In 2015, Grand Shine wished to dispose of its entire shareholding in Polyfair HK despite the expected growth in the Hong Kong construction industry at the material time. In light of this and with the intention of continuing the development and expansion of the business of Polyfair HK, Mr. Chow purchased all Polyfair HK shares held by Grand Shine on 2 June 2015, representing 60% of the issued shares of Polyfair HK at the material time at the consideration of RMB1,795,680, which was determined with reference to RMB1,783,800, being 60% of the net asset value of Polyfair HK of RMB2,973,000 as at 31 December 2014. After completion of the above purchase, Polyfair HK ceased to be a subsidiary of Grand Shine. In the same year, the three directors appointed by Grand Shine resigned from their respective positions in Polyfair HK. One of them, being Mr. Gao Yingchang, remained at Polyfair HK as a marketing manager after his resignation as a director on 15 June 2015. In October 2015, Mr. Gao Yingchang purchased 100% of the equity interest in SFDCL, which was one of our five largest

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

suppliers during the Track Record Period. For more details, please refer to the section headed “Business – Suppliers” of this prospectus.

Since the abovementioned transfer of shares, Mr. Chow and Mr. Yu directly owned 83% and 17% of the entire equity interest in Polyfair HK, respectively, up to the date immediately prior to the Reorganisation.

Polyfair SZ

Polyfair SZ was established on 9 January 2017 in the PRC with limited liability and a registered capital of HK\$1,000,000 which is fully paid-up. Since the date of its establishment and up to the Latest Practicable Date, Polyfair HK owned the entire equity interest in Polyfair SZ.

During the Track Record Period and up to the Latest Practicable Date, Polyfair SZ principally engaged in the design of façade and curtain wall, and had undertaken all design work for our projects since March 2017.

Polyfair Group

Polyfair Group was incorporated in BVI with limited liability on 8 June 2017. It was incorporated to serve as an intermediate holding company of our Group.

The authorised share capital of Polyfair Group is US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one fully-paid share was allotted and issued at par to our Company on 8 June 2017.

REORGANISATION

In contemplation of the Listing, our Group has undergone the following major restructuring steps pursuant to the Reorganisation.

- (a) On 9 January 2017, Polyfair SZ was established in the PRC with limited liability and a registered capital of HK\$1,000,000 which is fully paid-up. Since the date of establishment and up to the Latest Practicable Date, the entire equity interest in Polyfair SZ was owned by Polyfair HK.
- (b) On 21 April 2017, C.N.Y. Holdings was incorporated in BVI with limited liability. The authorised share capital of C.N.Y. Holdings is US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 83 fully-paid shares were allotted and issued at par to Mr. Chow and 17 fully-paid shares were allotted and issued at par to Mr. Yu.
- (c) On 25 May 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each and initially one

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

nil-paid Share was allotted and issued at par to Sharon Pierson as the initial subscriber (who is an independent third party), which was transferred to C.N.Y. Holdings on the same date, and an additional 99 nil-paid Shares were allotted and issued at par to C.N.Y. Holdings on 25 May 2017.

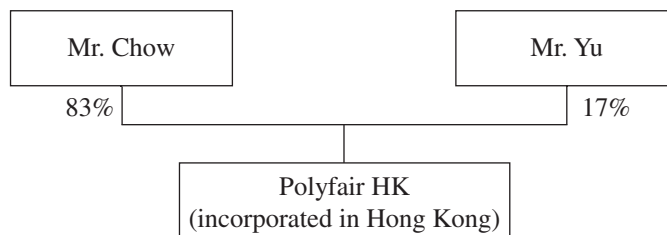
- (d) On 8 June 2017, Polyfair Group was incorporated in BVI with limited liability. The authorised share capital of Polyfair Group is US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one fully-paid share was allotted and issued at par to our Company on 8 June 2017.
- (e) On 19 January 2018, Mr. Chow and Mr. Yu transferred the entire issued shares of Polyfair HK to Polyfair Group (as the nominee of our Company), the consideration of which was satisfied by our Company allotting and issuing 83 Shares to Mr. Chow and 17 Shares to Mr. Yu (or their respective nominee) credited as fully paid and crediting as fully paid at par the 100 nil-paid Shares in issue. Our Company had nominated its wholly-owned subsidiary, Polyfair Group, to hold the entire issued share capital of Polyfair HK. Mr. Chow and Mr. Yu had nominated C.N.Y. Holdings to hold the 100 new Shares.

The legal advisers to our Company as to Cayman Islands law and PRC law confirmed that the change of shareholding in Polyfair HK would not require any approval or permit from any government authorities in the Cayman Islands or the PRC.

CORPORATE STRUCTURE OF OUR GROUP

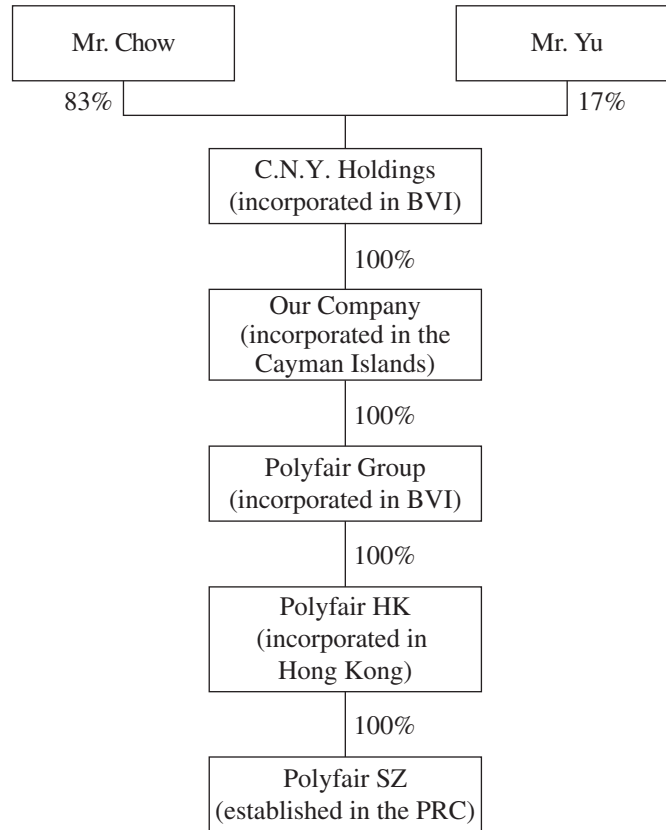
As a result of the Reorganisation, our Company became the ultimate holding company of our Group. The following diagrams set out the shareholding structure and corporate structure of our Group (i) immediately prior to the Reorganisation; (ii) immediately after the Reorganisation (but before the Share Offer and the Capitalisation Issue and without taking into account any Shares which may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme); and (iii) immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme).

Immediately prior to the Reorganisation



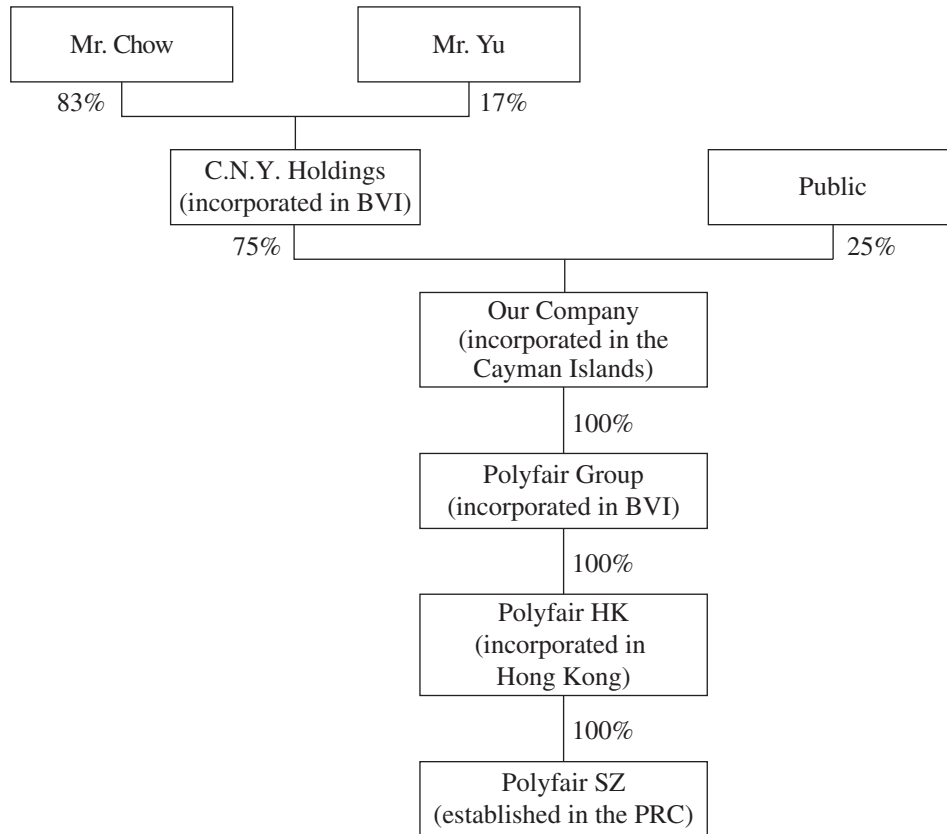
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Immediately after the Reorganisation (but before the Share Offer and the Capitalisation Issue and without taking into account any Shares which may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme)



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Immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme)



OVERVIEW

Our Group is a subcontractor that provides façade and curtain wall works solutions in Hong Kong. Our solutions, covering design and project management services, are customised to meet the technical specifications and performance requirements of our customers. Our design services generally include developing designs, conducting structural calculations and preparing shop drawings, while our project management services generally include sourcing and procuring building materials, arranging for building material logistics and installation works, on-site project management and post-project completion services. We engage subcontractors to perform the installation work from time to time. Prior to the establishment of our in-house design department in March 2017, we mainly provided project management services and engaged subcontractor to perform the design work under the supervision of our in-house designers and we subcontracted all installation works of our projects during the Track Record Period. After we established our in-house design department in March 2017, we handle the design work of all our projects. Our Group continues to provide project management services and only subcontracts the installation works. Our works mainly apply to commercial buildings and residential buildings. Since our establishment in 2006, we have completed façade and curtain wall works for over 20 projects, covering both commercial and residential buildings. We have also undertaken a project for a large-scale residential complex namely the Victoria Skye located in the Kai Tak district. Customers of our Group generally include property developers and main contractors such as Ching Lee Engineering Limited. During the Track Record Period, all of our projects were obtained from private sector customers.

During the Track Record Period, our revenue was principally derived from our projects in Hong Kong. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, our total revenue was approximately HK\$172.0 million, HK\$109.6 million and HK\$58.1 million, respectively, our gross profit was approximately HK\$25.0 million, HK\$19.6 million and HK\$8.0 million, respectively, and our gross profit margin was approximately 14.5%, 17.8% and 13.7%, respectively.

The following table sets forth a breakdown of our revenue and the number of projects by types of building during the Track Record Period:

Types of building	Year ended 31 March						Four months ended 31 July					
	2016			2017			2016			2017		
	Number of projects		%	Number of projects		%	Number of projects		%	Number of projects		%
	HK\$'000			HK\$'000			HK\$'000			HK\$'000		
							(unaudited)					
Residential	4	25,020	14.5	9	85,843	78.3	5	27,163	67.7	7	58,065	100.0
Commercial	8	147,009	85.5	5	23,764	21.7	5	12,972	32.3	-	-	-
Total	12	172,029	100.0	14	109,607	100.0	10	40,135	100.0	7	58,065	100.0

BUSINESS

The following table sets out a breakdown of our revenue and the number of projects by our role as nominated subcontractor or domestic subcontractor during the Track Record Period:

	Year ended 31 March						Four months ended 31 July					
	2016			2017			2016			2017		
	<i>Number of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>%</i>
							(unaudited)					
Nominated subcontractor	6	131,947	76.7	8	86,231	78.7	6	33,080	82.4	3	37,459	64.5
Domestic subcontractor	6	40,082	23.3	6	23,376	21.3	4	7,055	17.6	4	20,606	35.5
Total	12	172,029	100.0	14	109,607	100.0	10	40,135	100.0	7	58,065	100.0

The following table sets forth a breakdown of the number of projects awarded to and completed by our Group during the Track Record Period by amount of contract sum:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	<i>Number of projects awarded</i>	<i>Number of projects completed</i>	<i>Number of projects awarded</i>	<i>Number of projects completed</i>	<i>Number of projects awarded</i>	<i>Number of projects completed</i>	<i>Number of projects awarded</i>	<i>Number of projects completed</i>
Contract sum								
More than HK\$40,000,000	-	-	2	1	1	1	-	-
HK\$20,000,000 to HK\$40,000,000	-	1	2	3	1	2	-	-
Less than HK\$20,000,000	2	2	2	4	-	1	-	-
Total	2	3	6	8	2	4	-	-

During the Track Record Period, eight projects were awarded to our Group, and we undertook a total of 18 projects, of which 11 were completed. For further details regarding the movement of our projects, please refer to the sub-section headed “Our projects – Movements in the number of our projects during the Track Record Period” in this section. Without considering variation orders, the duration of our projects completed during the Track Record Period generally varied from approximately 14 months to 30 months starting from our Group receiving tender invitations. Such duration depends on the project scale, type of building and complexity of works.

As at the Latest Practicable Date, our Group had nine projects in progress with an aggregate original contract sum of approximately HK\$455.4 million and out of which a total revenue of approximately HK\$118.4 million was recognised during the Track Record Period.

OUR COMPETITIVE STRENGTHS

Our Directors believe the following competitive strengths contribute to our continued success and potential for growth:

Well-established track record in the façade and curtain wall works industry in Hong Kong

Established in 2006, our Group has over 10 years' experience and has established a good reputation in the façade and curtain wall works industry in Hong Kong. Since our establishment, our Group has undertaken 37 projects, of which 28 were completed. Our works mainly apply to both commercial and residential buildings, and we have conducted works for a large-scale residential complex, namely the Victoria Skye in the Kai Tak district.

Our customers generally include main contractors and property developers. When they are selecting subcontractors for their property projects, they usually consider, among others, the track record, quality of works, reputation, design capability, financial capability and project management capability of the candidates. We believe our successful and timely completion of our projects, including our projects for various landmark buildings, has earned us a good reputation in the industry and has given us a competitive edge in pursuing new business opportunities, which is demonstrated by the fact that our Group receives tender invitations for potential projects from time to time. Such invitations come either directly from our recurring customers, or through referrals and recommendations from our business associates, such as architectural firms with whom our Group has worked together. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, we had a total of five, seven and six recurring customers (i.e. customers who had engaged us for our services prior to the respective financial year/period), representing approximately 62.5%, 70.0% and 100.0% of the total number of our customers for the corresponding period. Further, Polyfair HK has been a registered subcontractor under the Subcontractor Registration Scheme of the Construction Industry Council since 2007. Such scheme aims to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics, and we believe the registration of Polyfair HK as a registered subcontractor enhances customers' confidence in us.

Based on the above, our Directors are of the view that our proven track record and well-established reputation in the façade and curtain wall works industry in Hong Kong, which is demonstrated by our continuous business relationships with recurring customers, give us a competitive edge in pursuing new business opportunities and facilitate the business development and future expansion of our Group.

Stable business relationships with our major suppliers who could provide building materials and perform installation works with reliable quality

Our suppliers mainly include building material suppliers and subcontractors for the labour intensive installation works. Our Directors believe that maintaining a stable pool of building material suppliers to provide quality building materials and subcontractors to perform quality installation works is crucial for subcontractors in the façade and curtain wall works industry.

Throughout the years of our operation, we have maintained good business relationships with a stable pool of suppliers. For every type of principal building materials used in our projects, we maintain more than one building material supplier on our suppliers list for the supply of such building material. We also maintain several subcontractors on our subcontractors list for provision of installation works services at our construction sites. As at the Latest Practicable Date, our Group had maintained business relationships ranging from approximately two to 11 years with our major suppliers.

Meanwhile, our Group maintains a stringent selection, management and monitoring policy on our suppliers to ensure the timely supply of quality building materials and completion of works for all of our projects. For further details, please refer to the sub-section headed “Suppliers – Control on suppliers” in this section.

Our Directors consider that having a stable supply of building materials and installation works allows our Group to effectively maintain the timeliness and quality of our works, which is a crucial factor for us to maintain a good reputation in the façade and curtain wall works industry in Hong Kong and secure future business opportunities.

Being a provider of one-stop façade and curtain wall works solutions

Our Directors believe that the capability to provide one-stop solutions allows subcontractors in the façade and curtain wall works industry to obtain more business opportunities as the customers, being generally the main contractors or property developers, could save time and costs in identifying and engaging multiple parties to perform different stages of works.

Our Group provides one-stop façade and curtain wall works solutions to our customers. We generally provide both design and project management services in our projects as described in the sub-section headed “Overview” in this section. We have also established effective operating procedures to streamline and monitor our projects. For more details, please refer to the sub-section headed “Operating procedure” in this section.

Our Directors believe that being a provider of one-stop solutions as described above, our Group could reduce our customers’ time and costs in identifying and engaging different parties, and could reduce management effort of our customers, which would be a strength of us. In addition, it enables our Group to minimise the possibility of having significant deviation from the original designs, to increase work efficiency and to implement effective control over quality of works and completion time.

Long-term and strong business relationships with some of our major customers

Our Group has developed long-term business relationships with reputable property developers including two developers who are listed on the Stock Exchange, of which one had total assets of over HK\$380 billion as at 30 June 2017, and the other one had total assets of over HK\$150 billion as at 30 June 2017. Our Group has maintained business relationships of

BUSINESS

approximately over seven years with these property developers, which are also our major customers during the Track Record Period. We have also maintained business relationships of approximately three to 10 years with most of our major customers during the Track Record Period. Furthermore, we, from time to time, receive invitations from our customers to tender for potential projects. As such, our Directors are of the view that we have long-term and strong business relationships with our major customers, and that such relationships could strengthen our ability to secure projects from our customers in the future.

Extensive experience and technical know-how of our management team

Our management team has extensive industrial and managerial knowledge, skills and technical know-how throughout the construction and engineering industry. Our executive Directors, being Mr. Chow, Mr. Yu and Mr. Wong Kam Man, have approximately over 20 years, 35 years and 35 years of experience, respectively, in the construction and engineering industry. Our Directors also consider that other members of the management team possess the requisite industry knowledge and management experience in project execution, and expertise in the façade and curtain wall works industry. For further details of the biographies and relevant experience of our management team, please refer to the section headed “Directors and senior management” of this prospectus.

Other than our management team, our Group has also employed a stable pool of skilled employees. Our Directors believe that the extensive experience and technical know-how of the management team, as well as that of our skilled employees, are essential to our success and further development.

BUSINESS STRATEGIES

Our goals are to expand our business in Hong Kong and further strengthen our overall competitiveness. We intend to achieve such goals by actively and continuously providing façade and curtain wall works solutions while maintaining high standards of project management and works quality, and expanding our operation teams and scale. Accordingly, we plan to implement the following strategies:

Strengthen our financial positions to capture emerging business opportunities

In light of the increasing number of residential and commercial buildings as well as the public infrastructure and property development in Hong Kong as supported by the Government’s policies (such as increasing local public housing supply, converting Government Institution or Community sites into sites for commercial and industrial uses in Policy Address 2014, renovating and revitalising industrial buildings into office buildings, and putting forth the “Energising Kowloon East” development plan which comprises commercial and office buildings and the “Kai Tak” development plan which comprises commercial and residential buildings), the gross output value of construction works in Hong Kong is currently and expected to continue growing. On the other hand, façade and curtain wall works have grown from a niche market to a distinct sub-sector of the construction industry. Taking into

consideration this trend and the blooming construction industry, our Directors consider that it is in our interests to capture these business opportunities. To achieve this strategy, it is crucial for our Group to have strong financial positions as explained below:

(A) Enlarge our capital base for the issue of surety bonds

For some of our projects, we may be required by our customers to procure surety bond, also known as performance or demand bond, which amounts to a certain percentage (generally 10%) of the project's contract sum after the award of contract. If our Group does not fulfil such surety bond requirement, our customers may exercise their rights to withhold certain percentages of the progress payments until the aggregate amount withheld reaches the amount of the surety bond. In two of our projects, we are required to procure surety bond before we can receive any progress payment. Thus, our Directors are of the view that it is essential for our Group to prepare a certain amount of financial resources to fulfil the surety bond requirement for new and potential projects. For more details on the general surety bond requirement, please refer to the sub-sections headed "Operating procedure – A. Project tendering stage – Surety bond requirement" and "Customers – Key contract terms with customers" in this section.

During the Track Record Period, we deposited approximately HK\$3.8 million in an issuing bank to procure surety bond for the project located at Jones Street with a contract sum of approximately HK\$38.0 million. Such surety bond has been released as at 31 March 2017. During the Track Record Period and for another two projects (one located at Oi Kan Road with a contract sum of approximately HK\$19.6 million, the other one located at Luen Hing Street with a contract sum of approximately HK\$62.0 million), we were required to procure surety bond which amounted to 10% of the respective project's contract sum but did not procure the surety bond. As at 31 July 2017, the amounts receivable on contract work regarding these two projects were approximately HK\$26.1 million in aggregate. Subsequently, our Group had procured the surety bond for the project located at Luen Hing Street and Oi Kan Road in August 2017 and September 2017, respectively, which amounted to approximately HK\$8.2 million in aggregate. For more details about our surety bond procurement, please refer to the sub-section headed "Operating procedure – A. Project tendering stage – Surety bond requirement" in this section.

Furthermore, a project with a contract sum of approximately HK\$63.8 million was awarded to us in October 2017, pursuant to which our Group is required to procure surety bond with the amount of approximately HK\$6.4 million.

As such, our Directors intend to utilise approximately HK\$6.4 million of the net proceeds from the Share Offer to be earmarked for satisfying the surety bond requirement of such new project, so that our Group needs not to lock up our current internal resources for the procurement of surety bond, and that in the long run our capital base would be enlarged, which allows our Group to undertake more projects simultaneously.

(B) Increase our flexibility in allocating and utilising our financial resources

On the other hand, it is a general phenomenon for subcontractors in the construction industry, including our Group, to incur significant upfront costs for new projects such as building material costs, subcontracting charges and insurance expenses in advance of receiving progress payments from the customers, on top of the need to continuously finance existing projects. For our projects during the Track Record Period, the period between the commencement of projects and our Group receiving first progress payments from our customers generally ranges from approximately four months to 10 months, and relevant cash outflow during such period amounts to a maximum of approximately 55.2% of the respective project's total contract sum, with an average of approximately 14.4%. The length of such period and the amount of upfront payment depend on the respective customer's progress payment certifying procedure and pattern and whether there is a surety bond requirement.

Up to the Latest Practicable Date, we secured three commercial building projects which are located at Wing Kin Road, Yue Man Square and Yeung Uk Road, with an aggregate original contract sum of over HK\$195.9 million but less than HK\$215.9 million. Our staff has commenced work on the design, structural calculation and shop drawings of the two projects at Wing Kin Road and Yue Man Square, for Buildings Department's approval, which is estimated to obtain in the first half of year 2018. On the other hand, we have a potential project with a tender sum over HK\$300 million but less than HK\$330 million as at the Latest Practicable Date. If it is awarded, substantial upfront costs would be incurred pursuant to such.

It is another common industry practice that, independent from and regardless of the upfront costs and surety bond amount mentioned in the previous paragraphs, generally 10% of each progress payment will also be withheld by the customers as retention money until the aggregate amount withheld reaches 5% of the project's contract sum.

As such, our Directors believe it is crucial for our Group to maintain a sufficient level of financial resources so as to continuously finance existing, new or potential projects, and/or to engage in projects with higher profit margin. Our Directors hence intend to utilise approximately HK\$11.2 million of the net proceeds from the Share Offer for settling upfront costs of three new projects and one potential project as aforementioned.

To summarise, our Directors believe that with such allocation of the net proceeds from the Share Offer, our financial positions could be strengthened and our Group would be more financially capable of undertaking more potential projects, so as to capture the growth in the façade and curtain wall works industry and bring positive returns to our Shareholders. Please refer to the section headed "Future plans and use of proceeds" of this prospectus for more details.

Expand our operation teams to enhance our capacity to capture more business opportunities

Our Directors believe that our capability to provide one-stop design and build solutions allows our Group to obtain more business opportunities. Such capability depends on, to a larger extent, the number and scale of our operation teams, which generally comprise our project management teams, design teams and contract management team.

Our project management teams are responsible for the overall execution, management and monitoring of our projects, and play an important role in our business. Not only do our project management teams provide general direction for our projects, their involvement is also required at various stages of all our projects, such as the assessment of potential projects, preparation and submission of tenders, project planning, execution and management, and quality control. To cope with our expansion plan as mentioned in the above, our Directors intend to expand our project management teams by recruiting additional two project managers, one project supervisor and three project coordinators.

Our design teams generally refer to our design engineers and designers who are principally responsible for developing designs, conducting structural calculations and preparing shop drawings for our projects. Due to the high and increasing complexity of façade and curtain walls with the application and combination of multiple types of building materials, as well as importance of accurate structural calculations because of feasibility and safety considerations, experienced design engineers are crucial for our business. Polyfair SZ, a member of our Group, is responsible for conducting the abovementioned design-engineering-related work, and had 47 employees as at the Latest Practicable Date. We intend to expand our design teams by recruiting additional one design engineer and six additional design team heads and/or designers.

On the other hand, in view of the increasingly complicated contract terms of our projects, our Group intends to recruit additional one contract manager and one project quantity surveyor who possess adequate knowledge and relevant expertise and who would be principally responsible for handling contractual claims, preparing payment applications and assessing customers' progress payments. Our Directors believe our operational efficiency could be improved by such recruitment.

All of the above job positions are essential and necessary for carrying out a project, our Directors hence believe that the expanded teams would improve our capacity to undertake more projects simultaneously, and our results of operation and financial performance could thus be enhanced.

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OUR PROJECTS

We generally provide both design and project management services in our projects, i.e. developing designs, conducting structural calculations, preparing shop drawings, sourcing and procuring building materials, arranging for building material logistics and installation works, on-site project management and post-project completion services. We engage subcontractors to perform the installation work from time to time. Prior to the establishment of our in-house design department in March 2017, we mainly provided project management services and engaged subcontractor to perform the design work under the supervision of our in-house designers and we subcontracted all installation works of our projects during the Track Record Period. After we established our in-house design department in March 2017, we handle the design work of all our projects. We continue to provide project management services and only subcontract the installation works. Our works mainly apply to commercial buildings and residential buildings. Since our establishment in 2006, we have completed façade and curtain wall works for over 20 projects, covering both commercial and residential buildings. We have also undertaken a project for a large-scale residential complex, namely the Victoria Skye located in the Kai Tak district. During the Track Record Period, all of our projects were obtained from private sector customers.

During the Track Record Period, our Group had undertaken a total of 18 projects, of which 11 were completed. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, our Group recorded total revenue of approximately HK\$172.0 million, HK\$109.6 million and HK\$58.1 million, respectively. The following table sets out a breakdown of our revenue and the number of projects by types of building during the Track Record Period:

	Year ended 31 March						Four months ended 31 July					
	2016			2017			2016			2017		
	<i>Number of</i>		<i>%</i>	<i>Number of</i>		<i>%</i>	<i>Number of</i>		<i>%</i>	<i>Number of</i>		<i>%</i>
	<i>projects</i>	<i>HK\$'000</i>		<i>projects</i>	<i>HK\$'000</i>		<i>projects</i>	<i>HK\$'000</i>		<i>projects</i>	<i>HK\$'000</i>	
							(unaudited)					
Types of building												
Residential	4	25,020	14.5	9	85,843	78.3	5	27,163	67.7	7	58,065	100.0
Commercial	8	147,009	85.5	5	23,764	21.7	5	12,972	32.3	-	-	-
Total	12	172,029	100.0	14	109,607	100.0	10	40,135	100.0	7	58,065	100.0

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The following table sets out a breakdown of our revenue and the number of projects by our role as nominated subcontractor or domestic subcontractor during the Track Record Period:

	Year ended 31 March						Four months ended 31 July					
	2016			2017			2016			2017		
	<i>Number of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>%</i>
							(unaudited)					
Nominated subcontractor	6	131,947	76.7	8	86,231	78.7	6	33,080	82.4	3	37,459	64.5
Domestic subcontractor	6	40,082	23.3	6	23,376	21.3	4	7,055	17.6	4	20,606	35.5
Total	12	172,029	100.0	14	109,607	100.0	10	40,135	100.0	7	58,065	100.0

Projects awarded to our Group during the Track Record Period

Set out below is a breakdown of the number of projects awarded to our Group during the Track Record Period by amount of contract sum:

	Year ended 31 March		Four months ended 31 July
	2016	2017	2017
	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>
Contract sum			
More than HK\$40,000,000	—	2	—
HK\$20,000,000 to HK\$40,000,000	—	2	—
Less than HK\$20,000,000	2	2	—
Total	2	6	—

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Projects completed by our Group during the Track Record Period

Set out below is a breakdown of the number of projects completed by our Group during the Track Record Period by amount of contract sum:

	Year ended 31 March		Four months ended 31 July 2017
	2016	2017	
	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>
Contract sum			
More than HK\$40,000,000	–	1	–
HK\$20,000,000 to HK\$40,000,000	1	3	–
Less than HK\$20,000,000	2	4	–
Total	3	8	–

Movements in the number of our projects during the Track Record Period

The following table sets out the movements in the number of our projects during the Track Record Period:

	Year ended 31 March		Four months ended 31 July 2017
	2016	2017	
Number of projects at the beginning of the year/period (<i>Note 1</i>)	10	9	7
Add: Number of projects awarded (<i>Note 2</i>)	2	6	–
Less: Number of projects completed (<i>Note 3</i>)	3	8	–
Number of projects at the end of the year/period (<i>Note 4</i>)	9	7	7

Notes:

1. Number of projects at the beginning of the year refers to the number of projects with engagement confirmed and not yet completed as at the beginning of the relevant year/period indicated.
2. Number of projects awarded refers to the number of projects awarded to our Group during the relevant year/period indicated.
3. Number of projects completed refers to the number of projects completed by our Group during the relevant year/period indicated.
4. Number of projects at the end of the year/period refers to the number of projects with engagement confirmed and not yet completed as at the end of the relevant year/period indicated.

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Details of our projects completed during the Track Record Period

During the Track Record Period, we had completed 11 projects with a total contract sum of approximately HK\$237.3 million, which are all Hong Kong-based projects. The following table sets out a detailed list of our projects completed during the Track Record Period:

No.	Location	Types of building	Time of commencement	Time of completion	Awarded contract sum without variation order (HK\$'000)	Revenue recognised during the Track Record Period (HK\$'000)
1	Granville Road	Commercial	July 2013	November 2015	5,300	1,058
2	Lee Tung Street	Commercial	January 2015	November 2015	27,569	5,784
3	Ng Fong Street (Note 1(a))	Commercial	August 2014	April 2016	39,242	40,200
4	Ching Sau Lane	Residential	January 2015	April 2016	3,400	3,083
5	Hankow Road	Commercial	April 2015	March 2016	19,655	19,733
6	On Kwan Street	Commercial	November 2014	May 2016	49,975	53,025
7	Tak Cheong Street	Commercial	July 2014	June 2016	26,889	29,140
8	Castle Peak Road (Note 1(b))	Commercial	December 2013	August 2016	12,086	12,146
9	Granville Road	Commercial	June 2013	October 2016	4,700	2,642
10	Prince Edward Road West – A (Note 1(c))	Residential	October 2014	November 2016	10,476	9,592
11	Jones Street	Residential	January 2015	December 2016	38,000	37,682

Note:

1. As described in the sub-section headed “Operating procedure – B. Project planning and execution stage – Finalisation and submission of designs, structural calculations, shop drawings and building material samples” in this section, our staff would work closely with the projects architect and structural engineer to finalise the design, structural calculation and shop drawings of the project. When they are finalised, approval from Buildings Department would then be sought.
 - (a) The design of the project had not been finalised by the customer until the approval of the design from Buildings Department was obtained in March 2015 and our substantial works were delivered thereafter.
 - (b) The design of the project had not been finalised by the customer until the approval of the design from Buildings Department was obtained in July 2015 and our substantial works were delivered thereafter.
 - (c) The design of the project had not been finalised by the customer until the approval of the design from Buildings Department was obtained in January 2015 and our substantial works were delivered thereafter.

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Details of our projects on hand as at the Latest Practicable Date

As at the Latest Practicable Date, we had nine projects on hand, which are projects that have commenced but not yet completed. The following table sets out a detailed list of our projects on hand as at the Latest Practicable Date:

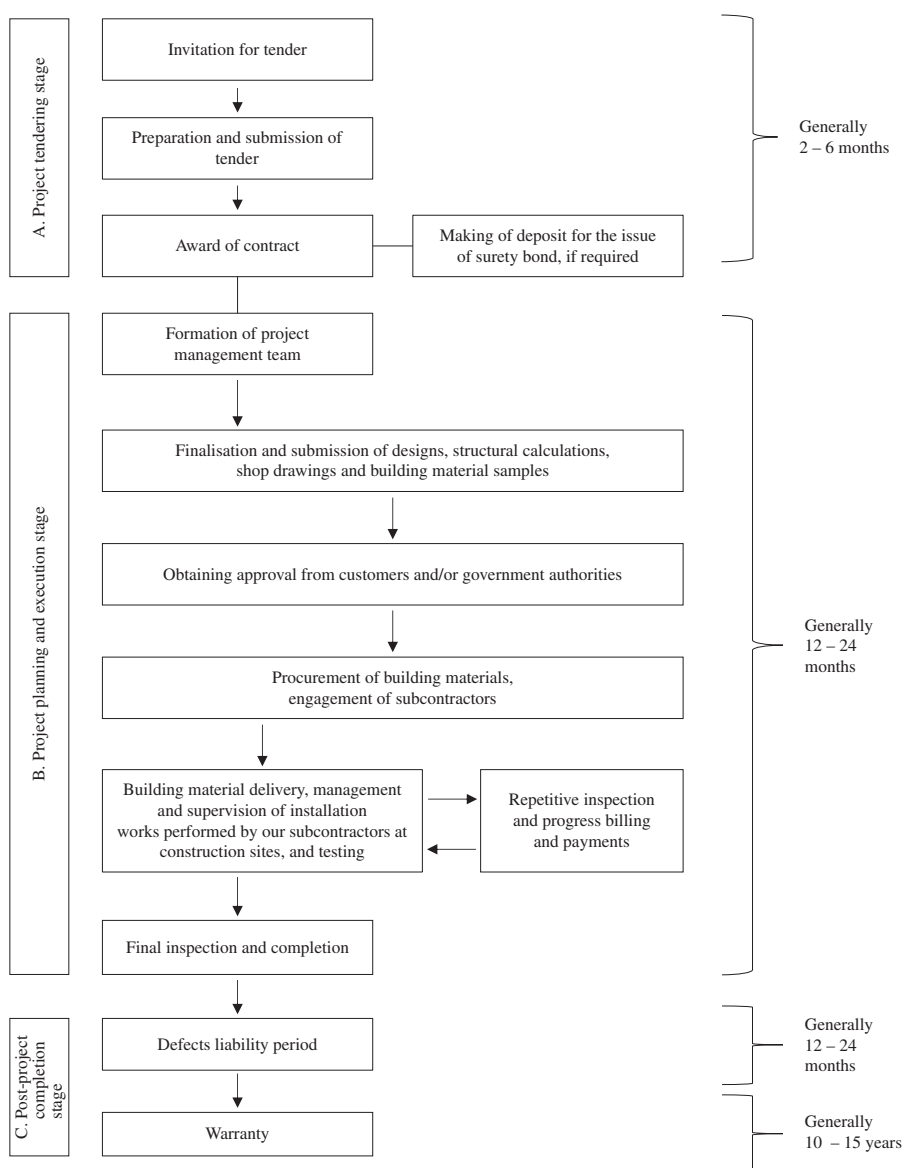
No.	Location	Types of building	Time of commencement/ expected time of commencement	Time of completion/ expected time of completion	Awarded contract sum without variation order (HK\$'000)	Accumulated revenue recognised up to 31 July 2017 (HK\$'000)	(%)	Estimated revenue to be recognised during each specified year/period (Note) (HK\$'000)
1	Tung Chau Street	Residential	January 2016	November 2017	16,124	13,947	86.5	8M2018: FY2019: 2,177 –
2	Prince Edward Road West – B	Residential	May 2016	January 2018	22,000	12,806	58.2	8M2018: FY2019: 9,194 –
3	Argyle Street	Residential	October 2016	January 2018	18,800	2,660	14.1	8M2018: FY2019: 16,140 –
4	Muk Ning Street	Residential	May 2016	May 2018	181,000	45,920	25.4	8M2018: FY2019: 106,532 28,548
5	Victory Avenue	Residential	October 2016	April 2018	40,000	16,464	41.2	8M2018: FY2019: 20,987 2,549
6	Oi Kan Road	Residential	August 2016	February 2018	19,600	8,087	41.3	8M2018: FY2019: 11,513 –
7	Luen Hing Street	Residential	September 2016	April 2018	62,000	18,532	29.9	8M2018: FY2019: 38,032 5,436
8	Yue Man Square	Commercial	October 2017	July 2019	63,824	–	–	8M2018: FY2019: After FY2019: 11,386 39,328 13,110
9	Wing Kin Road	Commercial	November 2017	September 2019	32,089	–	–	8M2018: FY2019: After FY2019: 747 11,191 20,151

Note: 8M2018 and FY2019 refers to the eight months ending 31 March 2018 (i.e. the period from 1 August 2017 to 31 March 2018) and the year ending 31 March 2019, respectively. The estimated revenue for a particular contract is provided based on our management's best estimation. In making the estimation, our management takes into account factors including but not limited to the expected completion date specified in the relevant contract (if any) and the actual work schedule.

OPERATING PROCEDURE

During the Track Record Period, our Group either acted as (i) a nominated subcontractor for projects whereby our Group was engaged by main contractors through the nomination of the property developers of the projects; or (ii) a domestic subcontractor for projects whereby our Group was directly engaged by main contractors. When we act as a nominated subcontractor, we submit our tender documents directly to the property developers and liaise and deal with them regarding the projects, particularly the project planning work. In such case, our projects are directly awarded by the property developers as our customers and then we are engaged by their main contractors. There is no material difference between the operating procedure for a nominated subcontractor and a domestic subcontractor.

The following flow chart is an overview of the major steps that we are generally involved in our projects during the Track Record Period:



A typical project undertaken by our Group generally takes approximately 14 months to 30 months to complete, commencing with our Group receiving a tender invitation and ending with the practical completion of the project. This duration varies according to a few factors, including the scale and complexity of the project, the technical specifications, the construction schedule specified by the developers, timing of consents and approvals from relevant parties and the progress of installation.

A. Project tendering stage

Invitation for tender

Our Group generally receives invitations from our recurring customers to tender for potential projects. Sometimes our Group also receives tender invitations for potential projects under referrals and recommendations from our business associates such as architectural firms with whom our Group has maintained relationships.

Our customers generally include main contractors and property developers. When we are directly selected by the developers, we act as a nominated subcontractor engaged by main contractors. When we are engaged directly by main contractors, we act as a domestic subcontractor. In both cases, our customers will provide us the tender documents for consideration.

When receiving the tender documents of a potential project, our Group will evaluate and consider various terms of the project, which generally include (i) the project scale, type of building and technical specifications, (ii) the estimated cost, (iii) the construction schedule and (iv) the required amount of surety bond, if any. Our Group also carefully considers our capability, the availability of both our financial and human resources, and the work certification and payment history of the customers. After our evaluation of the potential project, we would develop a proposed design which could meet the project specifications, followed by a cost, pricing and technical analysis of the project based on such design. After taking into account all the above factors, our project directors will decide whether to tender for the potential project.

In accordance with the project specifications, the tender for a typical project generally includes the (i) form of tender; (ii) offer price with the schedule of rates and quantities; (iii) construction methodology; (iv) construction programme with the estimation of time required for completion; (v) tender drawings; and (vi) building materials list. Generally, our Group is required to submit the tender within one month upon the receipt of the tender documents.

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Tenders submitted during the Track Record Period and award of contract

Upon receiving our tender, the customers will arrange interviews or tender queries for our Group to clarify the particulars of the tender. We may also negotiate with our customers regarding technical and commercial terms of the contract. Our customers would generally confirm the award of the contract with us in writing.

The following table sets out the number of tender submitted, number of project obtained and our success rate during the Track Record Period:

	For the year ended 31 March		Four months ended 31 July 2017
	2016	2017	
Number of tender submitted	18	24	10
Number of project obtained ⁽¹⁾	5	2	1
Success rate (%) ⁽²⁾	27.8%	8.3%	10.0%

Notes:

- (1) In respect of relevant tenders that were submitted in the relevant year/period.
- (2) Success rate is calculated by the total number of project obtained over the total number of tender submitted during the relevant year/period.

We generally take into account the availability of our resources, capacity, the number of projects we are undertaking and the schedule of the project to be tendered when tendering potential projects. Our tender success rate declined for the year ended 31 March 2017 because while we would like to maintain exposure in the industry by submitting tender to different customers, we had taken a prudent approach in costs estimation and factored a higher profit margin in the potential tender, which may cause our tender prices to be less competitive. We adopted such approach as we had focused our effort and resources for our ongoing projects, particularly the large-sized one located at Muk Ning Street. As a result, our tender success rate declined.

Surety bond requirement

For some of our projects, our customers would require us to procure a surety bond, also known as performance or demand bond, which would generally amount to 10% of the respective contract sum as security for due performance and satisfactory completion of the project under our contracts with our customers. We would accordingly place collaterals and/or guarantee in an issuing bank for securing the surety bond issued to our customers.

If our Group does not fulfil such surety bond requirement upon our customers' notice, our customers may exercise their rights to withhold certain percentages of the progress payments until the aggregate amount withheld reaches the amount of the surety bond. Having considered that additional financial resources are required for satisfying the bank deposit requirement for the issue of surety bonds which might result in the lock-up of a portion of our capital for potentially a prolonged period of time and might also affect our flexibility in allocating and utilizing our financial resources to finance existing, new or potential projects, we generally procure surety bonds upon our customers' notice or when the total amounts receivable on contract work for a project exceed the amount of surety bond to be procured. In two of our projects, we are required to procure surety bond before we can receive any progress payment.

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Taking into account of the consequences as disclosed above, our Directors are of the view that it is essential for our Group to prepare a certain amount of financial resources to fulfil the surety bond requirement for new and potential projects.

If there is any default in our obligations under our contracts with our customers, our customers are entitled to seek compensation from the bank for the amount of financial loss incurred not exceeding the amount of the surety bond. Subsequently, we will be liable to compensate such bank accordingly. The surety bonds are normally released upon the issue of the certificate of practical completion or at the time specified in the surety bond document.

During the Track Record Period, we deposited approximately HK\$3.8 million in an issuing bank to procure surety bond for the project located at Jones Street with a contract sum of approximately HK\$38.0 million. Such surety bond has been released as at 31 March 2017. During the Track Record Period and for two completed projects (one located at Tak Cheong Street with a contract sum of approximately HK\$26.9 million, the other one located at Castle Peak Road with a contract sum of approximately HK\$12.1 million), we were required to procure surety bond which amounted to 10% of the respective project's contract sum. As confirmed by our Directors, our Group did not receive any notice from the customers to issue the surety bonds throughout the whole period and therefore we did not procure the surety bonds. We gained an understanding and had also confirmed with our customers that the procurement of surety bonds was not required and no request or notice for procurement of surety bonds was sent to us nor any progress payment of these two completed projects was withheld by our customers. And, all of the accounts receivable of these two projects had been settled.

For two ongoing projects (one located at Oi Kan Road with a contract sum of approximately HK\$19.6 million, the other one located at Luen Hing Street with a contract sum of approximately HK\$62.0 million), we were required to procure surety bond which amounted to 10% of the respective project's contract sum but did not procure such as at 31 July 2017 because we were in the course of negotiation with our bank regarding our request to assign certain amount of banking facilities to procure surety bonds without additional bank deposit requirement for the issue of surety bonds. Upon the grant of banking facilities to us in August 2017, we had subsequently procured surety bonds for these projects. Pursuant to the contract in relation to the project located at Oi Kan Road, (a) our customer is entitled to withhold the whole progress payment; and (b) if our customer has given a written notice requiring our Group to deliver the surety bond required within a stipulated period and our Group fails to do the same, our customer may terminate the contract. Our Directors confirm that our Group has not received any such written notice from our customer for the project located at Oi Kan Road. Pursuant to the contract in relation to the project located at Luen Hing Street, our customer is entitled to withhold the whole progress payment. We have procured the required surety bonds for these two projects respectively in August and September 2017 of an aggregate amount of approximately HK\$8.2 million. As at 31 July 2017, the amounts receivable on contract work in relation to these two projects in total was approximately HK\$26.1 million. As at the Latest Practicable Date, all of the balance had been certified and approximately HK\$24.2 million in total had been settled.

B. Project planning and execution stage

Formation of project planning and management team

Once our Group receives a tender invitation, a project planning team, comprising two to three members from our project management department and our design department, will be

formed to carry out relevant work as described in the sub-section headed “Operating procedure – A. Project tendering stage – Invitation for tender” in this section. The team is usually headed by the project directors.

After the award of such project’s contract, the project planning team, together with procurement manager, site supervisor and project coordinator from our project management department, will then become the management team of such project. During this stage, the principal duty of the project manager is to ensure that the project’s progress follows the construction schedule. The project manager will also be responsible for, among others, budget monitoring, supervising the quality of works, and ensuring compliance with safety regulations with the assistance from a site supervisor. The design managers will be responsible for managing or revising the designs from time to time, and the procurement manager will be responsible for sourcing and procuring building materials and monitoring the relevant logistics throughout the whole project. Above all, the project directors will be responsible for communicating with, and coordinating between, different parties involved in the project including but not limited to our customers’ representatives, other subcontractors, our internal staff, and our suppliers. On top of the responsibilities in individual projects, our project directors also control our overall finance and oversee all projects.

Finalisation and submission of designs, structural calculations, shop drawings and building material samples

After the formation of our project management team, we would work closely with the project’s architect and structural engineer to finalise the designs, structural calculations and shop drawings of the project. During this process, the combination and application of multiple types of building material as well as the overall designs would be decided after careful consideration regarding the feasibility and safety of such designs. As the designs would generally be complicated, the involvement and experiences of our senior design engineers and senior designers are crucial in this stage. For more details on the biography and experiences of our relevant senior management, please refer to the section headed “Directors and senior management” of this prospectus. When finalised, the designs would be delivered to the architect and structural engineer for their approval. If obtained, approval from the Buildings Department would then be sought. After the approval by all relevant parties, we would submit a list of all building materials required with the corresponding quantities for sourcing and procuring.

Polyfair SZ, a member of our Group, was established in the PRC on 9 January 2017 and has been handling the abovementioned design work of all of our projects since March 2017. Polyfair SZ is a company established in the PRC with limited liabilities and subject to relevant PRC tax. As at the Latest Practicable Date, there were 47 full-time employees in Polyfair SZ. Prior to March 2017, our Group had been engaging with SFDCL, a PRC company which specialises in the design of façade and curtain wall, such that SFDCL would perform the abovementioned design work of all our projects as a subcontractor of our Group. As at the Latest Practicable Date, SFDCL was wholly owned by Mr. Gao Yingchang, and he was a marketing manager of Polyfair HK. For more details on Polyfair SZ, SFDCL and Mr. Gao Yingchang, please refer to the sub-section headed “Suppliers” in this section.

Procurement of building materials, engagement of subcontractors

The building materials that our Group principally uses in our projects include aluminium, glass, cladding, steel and silicone sealant. After approval of designs, our Group will submit

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samples of building materials to the customers for approval before sourcing and procuring such building materials. If such approval is granted, our procurement managers will then be responsible for purchasing the required building materials and accessories for the projects. Our procurement managers will purchase the building materials in batches according to the progress of work at the relevant construction site. Our Group will also engage our subcontractors at suitable time.

Building material delivery, management and supervision of installation works performed by subcontractors at construction sites and testing

Our Group does not employ any direct labour to perform the installation works at the construction sites of our projects. Instead we engage and procure subcontractors from our approved list to perform the installation works. For more details about our approved list of suppliers, please refer to the sub-section headed “Suppliers – Basis of selecting suppliers” in this section.

For some projects, our Group may require machineries to execute installation works. When faced with such situation, our Group will arrange the leasing of the machineries required from our approved list of suppliers at the cost of our Group.

Throughout the execution stage of a typical project, our project management team especially the assigned project manager will closely monitor the progress of work on a continuous basis. The site supervisor will report to the project manager, and the project manager will in turn report to the project directors, regarding the status of the project and any update, issue or problem about the project and the construction site. Solutions will be proposed if any problem is identified by such reporting procedure during the project execution stage. The project manager and site supervisor will also collectively ensure the compliance with safety regulations, and that satisfactory safety precaution measures have been executed by us and our subcontractors. For more details, please refer to the sub-section headed “Occupational health and safety matters” in this section.

In addition to our internal quality control measures, all curtain wall systems installed in our projects will undergo a series of tests conducted by independent laboratories, including but not limited to a safety test, in accordance with the requirements of the Buildings Department and the specifications in the relevant contracts.

Variation orders

During the course of a project, our customers may require alterations in item, service or specifications. As a result, extra work may be required and additional fees may be charged to the customers. In general, the unit rate for any item under such variation orders which is not included in the schedule of rates is confirmed by written confirmation between our Group and the customers and added into the schedule of rates.

Inspection and progress billings and payments

Our Group will generally submit payment applications to the main contractor based on our works done from time to time in accordance with the terms of contract. For each

submission, the payment application will then be passed to the quantity surveyor assigned by the customer for inspection. If such quantity surveyor is satisfied with the content of the payment application, the quantity surveyor will recommend the architect to issue payment certificate to the customer. The customer will then make a payment to the main contractor, followed by the progress payment made to our Group from the main contractor generally within 14 days after it receives the customer's payment. The above process generally takes approximately one month to three months to complete. Usually, 10% of each progress payment would be held as retention money until the accumulated retention money reaches 5% of the total contract sum. For further details of the payment terms, please refer to the sub-section headed "Customers – Key contracts terms with customers" in this section.

Final inspection and completion

Our Group will ensure that all works are completed and have complied with the requirements as set out in the contract and by the Buildings Department before inspection by the authorised person of the customers and the Buildings Department. After such inspection, the occupation permit would be duly proceeded, and the project will be considered completed when the certificate of practical completion is issued. Our Group generally provides a defects liability period of 12-24 months starting from the date of project completion followed by a warranty period of up to 15 years, but may vary depending on the terms of the contract. Half of the retention money withheld by our customers will be released to our Group upon issuance of the certificate of practical completion, and the remaining half upon the expiration of the defects liability period or issuance of the certificate of making good the defects by the authorised person of the project.

C. Post-project completion stage

Defects liability period

During the defects liability period, our Group is liable at our own costs for remedial works arising from defective works identified or defective materials used. In order to protect our interest, our Group generally withholds 5% of each payment to our subcontractors as retention money, which will generally be released in full upon our receipt of retention money from our customers in full.

Warranty period

Our Group will indemnify the developers or main contractors against all extra costs that may be incurred by non-performance of our works and we generally provide warranty of up to 15 years from the date of project completion or after the end of defects liability period. If there are any defects discovered after the completion of the projects on works performed by our subcontractors, the relevant subcontractors shall indemnify our Group for any costs suffered in relation to such defects. For glass and aluminium, a warranty of 10 to 15 years will also be provided by the building material suppliers. During the Track Record Period, there was no material claim brought against our Group by our customers and the cost incurred for rectifying defective works was immaterial.

CUSTOMERS**Characteristics of our customers**

Our customers primarily include property developers (including subsidiaries of property developers) and main contractors from the private sector in Hong Kong. We either acted as a nominated subcontractor or a domestic subcontractor for projects. When we are a nominated subcontractor, we submit our tender documents directly to the property developers and liaise and deal with them regarding the projects, particularly the project planning work. In such case, our projects are directly awarded by the property developers as our customers and then we are engaged by their main contractors. When we are a domestic subcontractor, we submit our tender documents to main contractors and liaise with them regarding the projects. In such case, our projects are awarded by the main contractors. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, there were eight, 10 and six customers for whom we carried out projects, respectively. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, we had a total of five, seven and six recurring customers (i.e. customers who had engaged us for our services prior to the respective financial year/period), representing approximately 62.5%, 70.0% and 100.0% of the total number of our customers for the corresponding year/period. During the Track Record Period, all of our customers were located in Hong Kong and all of our revenue were denominated in HK\$.

Top customers

For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, our largest customers which are different entities for each of the year/period accounted for approximately 50.9%, 34.1% and 31.0% of our total revenue, respectively, while our five largest customers in aggregate accounted for approximately 95.5%, 85.0% and 96.4% of our total revenue, respectively.

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Set out below are the details of our five largest customers during the Track Record Period:

For the year ended 31 March 2016

Rank	Customer	Background and principal business	Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
					HK\$'000	%
1	Customer A	Several companies which mainly engage in property development and building construction and are subsidiaries or related company of Customer A. Billion Development & Project Management Limited, as project manager of such companies, is responsible for handling the property development projects.	More than nine years	30 days upon submission of payment application; by cheque	87,628	50.9
2	Ching Lee Engineering Limited	A subsidiary of Ching Lee Holdings Limited (stock code: 3728), a construction contractor listed in Hong Kong. Ching Lee Holdings Limited recorded its revenue and net profit for the year ended 31 March 2017 for over HK\$570 million and HK\$20 million, respectively. Its total assets and cash and bank balances amounted to more than HK\$370 million and HK\$33 million, respectively, as at 30 September 2017.	Approximately three years	15 days upon submission of payment application; by cheque	28,309	16.5

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Rank	Customer	Background and principal business	Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
					HK\$'000	%
3	Champion Success Limited	A company which mainly engages in property development and is a subsidiary of Hong Kong China Development Holdings Limited which (i) principally engages in property investment and development in Hong Kong and the PRC; and (ii) has over 40 years' of history, completed and held various projects for hotels, commercial buildings, shopping malls and residential buildings, including the Hilton Garden Hotel with gross investment amount over HK\$2 billion as shown in their company website.	More than three years	28 days upon presentation of payment certificate; by cheque	23,448	13.6
4	Customer B	Several companies which mainly engage in property development and building construction and are subsidiaries of Customer B, a property developer listed in Hong Kong. It recorded its revenue and net profit for the year ended 31 December 2016 for over HK\$25 billion and HK\$22 billion, respectively. Its total assets and cash and bank balances amounted to more than HK\$380 billion and HK\$25 billion, respectively, as at 30 June 2017.	More than eight years	14 to 30 days upon presentation of payment certificate; by cheque	15,257	8.9

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Rank	Customer	Background and principal business	Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
					HK\$'000	%
5	Customer C	A company which mainly engages in building construction services and is a subsidiary of a company listed in Hong Kong which (i) principally engages in the provision of civil engineering and building construction services; and (ii) recorded revenue of over HK\$6 billion for the year ended 31 March 2017, and total assets and cash and bank balances of over HK\$14 billion and HK\$320 million, respectively, as at 30 September 2017.	Approximately 10 years	35 days upon submission of payment application; by cheque	9,682	5.6
Sub-total					164,324	95.5
All other customers					7,705	4.5
Total					172,029	100.0

For the year ended 31 March 2017

Rank	Customers	Background and principal business	Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
					HK\$'000	%
1	Customer B	Several companies which mainly engage in property development and building construction and are subsidiaries of Customer B, a property developer listed in Hong Kong. It recorded its revenue and net profit for the year ended 31 December 2016 for over HK\$25 billion and HK\$22 billion, respectively. Its total assets and cash and bank balances amounted to more than HK\$380 billion and HK\$25 billion, respectively, as at 30 June 2017.	More than eight years	14 to 30 days upon presentation of payment certificate; by cheque	37,381	34.1

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Rank	Customers	Background and principal business	Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer <i>HK\$'000</i> %	
2	Ultimate Chance Investments Limited	A company which mainly engages in property development and is a subsidiary of a company which principally engages in property investment and development in Hong Kong. It completed 10 projects throughout its four years' of history, including hotels, residential and commercial buildings, one of which is the Victoria Skye. It also holds various projects on hand as shown in its company website.	More than one year	14 days upon presentation of payment certificate; by cheque	27,892	25.5
3	Customer A	Several companies which mainly engage in property development and building construction and are subsidiaries or related company of Customer A. Billion Development & Project Management Limited, as project manager of such companies, is responsible for handling the property development projects.	More than nine years	30 days upon submission of payment application; by cheque	11,844	10.8
4	Customer D	Several companies which mainly engage in property development and building construction and are subsidiaries of Customer D, a property developer listed in Hong Kong. It recorded its revenue and net profit for the year ended 30 June 2017 for over HK\$18 billion and HK\$8 billion, respectively. Its total assets and cash and bank balances amounted to more than HK\$154 billion and HK\$3 billion, respectively, as at 30 June 2017.	Approximately eight years	21 days upon presentation of payment certificate; by cheque	10,304	9.4

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Rank	Customers	Background and principal business	Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer HK\$'000 %	
5	Champion Success Limited	A company which mainly engages in property development and is a subsidiary of Hong Kong China Development Holdings Limited which (i) principally engages in property investment and development in Hong Kong and the PRC; and (ii) has over 40 years' of history, completed and held various projects for hotels, commercial buildings, shopping malls and residential buildings, including the Hilton Garden Hotel with gross investment amount over HK\$2 billion as shown in their company website.	More than three years	28 days upon presentation of payment certificate; by cheque	5,692	5.2
Sub-total					93,113	85.0
All other customers					16,494	15.0
Total					109,607	100.0

For the four months ended 31 July 2017

Rank	Customer	Background and principal business	Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer HK\$'000 %	
1	Ultimate Chance Investments Limited	A company which mainly engages in property development and is a subsidiary of a company which principally engages in property investment and development in Hong Kong. It completed 10 projects throughout its four years' of history, including hotels, residential and commercial buildings, one of which is the Victoria Skye. It also holds various projects on hand as shown in its company website.	More than one year	14 days upon presentation of payment certificate; by cheque	18,027	31.0

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Rank	Customer	Background and principal business	Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
					HK\$'000	%
2	Customer B	Several companies which mainly engage in property development and building construction and are subsidiaries of Customer B, a property developer listed in Hong Kong. It recorded its revenue and net profit for the year ended 31 December 2016 for over HK\$25 billion and HK\$22 billion, respectively. Its total assets and cash and bank balances amounted to more than HK\$380 billion and HK\$25 billion, respectively, as at 30 June 2017.	More than eight years	14 to 30 days upon presentation of payment certificate; by cheque	15,455	26.6

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Rank	Customer	Background and principal business	Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
					HK\$'000	%
3	Customer D	Several companies which mainly engage in property development and building construction and are subsidiaries of Customer D, a property developer listed in Hong Kong. It recorded its revenue and net profit for the year ended 30 June 2017 for over HK\$18 billion and HK\$8 billion, respectively. Its total assets and cash and bank balances amounted to more than HK\$154 billion and HK\$3 billion, respectively, as at 30 June 2017.	Approximately eight years	21 days upon presentation of payment certificate; by cheque	9,331	16.1

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Rank	Customer	Background and principal business	Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
					HK\$'000	%
4	Customer E	A private company which mainly engages in building construction as main contractor and is a subsidiary of a company which principally engages in providing construction services in Hong Kong with approximately 20 years' experience in the industry. It had engaged in various types of construction projects including residential buildings, office towers, industrial buildings, government/municipal facilities and villas as shown in its company website.	More than eight years	30 days upon submission of payment application; by cheque	7,471	12.9

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Rank	Customer	Background and principal business	Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
					HK\$'000	%
5	Customer F	A company which mainly engages in the design and construction of building works and is a subsidiary of an infrastructure and service company listed in Hong Kong, which recorded its revenue and net profit for the year ended 30 June 2017 for over HK\$31 billion and HK\$5 billion, respectively. The listed company's total assets and cash and bank balances amounted to more than HK\$75 billion and HK\$6 billion, respectively, as at 30 June 2017.	More than one year	28 days upon presentation of payment certificate; by cheque	5,694	9.8
Sub-total					55,978	96.4
All other customers					2,087	3.6
Total					58,065	100.0

All of our five largest customers during the Track Record Period are Independent Third Parties. To the best knowledge of our Directors, none of our Directors (or any person who, to the best knowledge of our Directors, owns more than 5% of the issued share capital of any of our subsidiaries or any of their respective associates) had any interest in any of our five largest customers during the Track Record Period. Given that there would be an express or implied duty of confidentiality imposed on our Group under our contracts entered into with our top customers; as advised by our Company's legal advisers as to Hong Kong law, the disclosure of the identity of our top customers in this prospectus may expose our Group to unnecessary claims unless consents from these customers are provided to us.

Customer concentration

For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, revenue from our five largest customers accounted for approximately 95.5%, 85.0% and 96.4% of our total revenue, respectively. The percentage of our total revenue attributable to our largest customers was approximately 50.9%, 34.1% and 31.0%, respectively, for the same years/period. Please refer to the section headed "Risk factors – Revenue derived from our five largest customers accounted for a substantial portion of our total revenue, failure to retain business relationship with them or secure new business may affect our results of operation and financial performance" of this prospectus for the customer concentration risk.

Our Directors consider that we are not materially reliant on any single customer and that our business model is sustainable despite such customer concentration due to the following factors:

- (i) As supported by Ipsos Report, it is common for construction companies in Hong Kong to rely on a few customers due to the nature of the construction industry where a few major developers and main contractors dominate the property development market in Hong Kong. Ipsos has identified a total of 16 companies who are acting as subcontractors in the construction industry in Hong Kong and newly listed on the Stock Exchange during the period from June 2016 to June 2017. Based on the disclosure in their respective listing document, 11 of them have over 90% of total revenue attributable to their five largest customers for at least one financial year.
- (ii) The percentage of our total revenue attributable to our largest customers has reduced from 50.9% for the year ended 31 March 2016 to 34.1% for the year ended 31 March 2017 and from approximately 44.5% to 31.0% for the four months ended 31 July 2016 and 2017, respectively. The percentage of our total revenue attributable to our five largest customers also reduced from 95.5% for the year ended 31 March 2016 to 85.0% for the year ended 31 March 2017. Although that for the four months ended 31 July 2016 and 2017, respectively, increased from approximately 90.0% to 96.4%, it was merely because we had focused our effort on our ongoing projects instead of exploring new projects and customers considering the availability of our financial resources.
- (iii) During the Track Record Period, the combination and ranking of our five largest customers in each year/period were different, which reveals that our Group did not place over reliance on any particular customer throughout the Track Record Period.

Revenue derived from Customer A, our largest customer for the year ended 31 March 2016, only accounted for approximately 10.8% of our total revenue for the year ended 31 March 2017 as compared to approximately 50.9% for the year ended 31 March 2016; while revenue derived from Customer B, our largest customer for the year ended 31 March 2017, accounted for approximately 34.1% of our total revenue for the year ended 31 March 2017 as compared to approximately 8.9% for the year ended 31 March 2016. Ultimate Chance Investments Limited, our largest customer for the four months ended 31 July 2017 who contributed approximately 31.0% of our total revenue during the period, also only accounted for approximately 17.0% of our revenue source for the four months ended 31 July 2016.

- (iv) Some of our top customers (including Customer A, Customer B, Customer C, Customer D and Customer E) have long-term business relationships with us for over eight years. With the largest customer for each of the two years ended 31 March 2017, we have over nine and eight years of business relationship, respectively. Our Directors believe our long-term business relationships with the top customers are built on our past performance and ability to provide timely quality services, and may provide us with potential business opportunities from these customers.
- (v) We received tender invitations from a range of customers and we had also turned down some of the invitations during the Track Record Period having considered the scale, type of building, scope, complexity of projects and our available resources. Our Directors consider that it will be in the interests of our Group to obtain projects with different size and type of building from various customers from time to time.
- (vi) Given that our projects are non-recurring in nature and we have to go through competitive tendering process to secure new projects, our Group does not have any long-term commitment with our customers. When our Group undertakes a sizeable project which can contribute to a substantial portion of our revenue recognised according to the percentage of completion of the project, the relevant customer would become one of our largest customers in terms of revenue contribution in the particular period.

Pricing strategies

We generally set the tender price based on the estimated costs to be incurred plus a certain mark-up margin, which is determined by our senior management on a project-by-project basis after considering various factors including: (i) the scale, type of building, scope and complexity of the project; (ii) the customer's historical certifying and payment pattern; (iii) the availability of our resources; (iv) the expected costs of building materials and subcontracting charges; (v) the completion time requested by customer; and (vi) the prevailing market conditions.

Key contract terms with customers

Our Group is generally engaged by our customers on a project-by-project basis instead of long-term contract. Our Directors consider that such arrangement is in line with the common industry practice in Hong Kong. The contract terms of each project may be different and are

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based on negotiations with the respective customers. The principal contract terms of a typical project are summarised as below:

Scope of works:	The scope and description of works to be carried out by our Group are specified in the contract. Contract may also include the technical specifications and requirements as set out by the customers.
Contract sum:	A lump sum fixed price will be agreed in the contract for carrying out the whole of the works as specified.
Duration of work:	Our Group shall follow the construction schedule as specified by the customers, which may be revised from time to time according to the terms of the contract.
Payment terms:	The contracts will generally include the payment terms negotiated with our customers depending on the type of building, scale and length of the projects. Progress payment application shall be submitted to the customers on monthly basis.
Insurance:	Contractor-all-risk, employee compensation and third party liability insurances are maintained either by our Group or our customers, depending on the terms of the contracts
Surety bond:	Our Group may be required to procure surety bond, also known as performance or demand bond, which amounts to a certain percentage (normally 10%) of the contract sum to our customers. If we do not fulfil such requirement, some customers may (i) withhold the whole progress payment or certain percentages of the progress payments until the aggregate amount withheld reaches the amount of surety bonds as if they are procured; or (ii) withhold billing amount until the bonds are delivered to the developers and main contractors. Our customer may also terminate our contract if we fail to procure the surety bond. The bonds will normally be released upon completion of the project or at the time specified in the relevant contract. For more details about our surety bond procurement, please refer to the sub-section headed “Operating procedure – A. Project tendering stage – Surety bond requirement” in this section.

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Subcontracting:	For some of the contracts, prior consent from our customers is required for subcontracting. Generally, our Group is not prohibited to engage subcontractors to carry out the works and is responsible for the works performed by them.
Retention money:	Our customers usually have the rights to withhold 10% of each progress payment due to us as retention money. In general, the total amount of the retention money will not exceed 5% of the contract sum. Pursuant to the contract, 50% of the retention money will generally be released upon the issue of the practical completion certificate, and the rest will be released upon the expiry of the defects liability period.
Defects liability period:	Our customers generally require a defects liability period ranging from 12 to 24 months after the practical completion of the works. During the defects liability period, our Group is responsible for rectifying work defects.
Warranty:	Our Group may provide a warranty of normally up to 15 years after the end of defects liability period, during which we generally rectify, without any charge, any defects and deficiencies in design of the façade and curtain wall works, materials and workmanship discovered after completion of the project.

Generally, the contract will also include the schedule of rates. The agreed unit rates and estimated quantities of each item involved in the works are set out in the schedule of rates based on the tender designs.

Credit policy

Generally, our Group would only receive progress payments of our projects after relevant works are certified by our customers. For more details, please refer to the sub-section headed “Operating procedure – B. Project planning and execution stage – Inspection and progress billings and payments” in this section.

During the Track Record Period, the progress payments paid to our Group were generally settled by cheque or bank transfer. Our credit terms with our customers generally ranged from 14 to 30 days after the works are certified. Our Group will continuously review and identify any long outstanding receivables. For further details on our receivable turnover days, please refer to section headed “Financial information – Progress payments and other receivables” of this prospectus.

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SALES AND MARKETING

During the Track Record Period, our Group secured new businesses mainly through direct invitation for tendering by customers.

SUPPLIERS

Characteristics of our suppliers

During the Track Record Period, our suppliers generally included (i) building material suppliers for among others, aluminium and steel products, aluminium claddings and glass; (ii) subcontractors; and (iii) providers of other miscellaneous services such as transportation of materials, rental of machinery, glass cleaning services and quality testing services.

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Top suppliers

During the Track Record Period, our purchase from suppliers generally comprise building material costs, subcontracting charges and other costs. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, our purchase from our largest supplier accounted for approximately 34.0%, 18.7% and 26.0% of our total purchase, respectively, and purchase from our five largest suppliers in aggregate accounted for approximately 71.2%, 66.5% and 76.4% of our total purchase, respectively.

Set out below are the details of our five largest suppliers during the Track Record Period:

For the year ended 31 March 2016

Rank	Supplier	Products/services provided to our Group	Background and principal business	Years of business relationship	Typical credit terms and payment method	Amount of purchase from the supplier HK\$'000 %	
1	Supplier A	Fabricated glass and aluminum materials	A private company which engages in provision of glass and aluminium materials based in the PRC	More than two years	10% prepayment within seven days after the design is confirmed; 30 days upon receipt of invoice; by bank transfer	48,334	34.0
2	Supplier B	Installation works in relation to façade and curtain walls	A private company which engages in façade and curtain walls installation works based in Hong Kong	More than 11 years	30 days upon receipt of invoice; by cheque	21,500	15.1
3	Supplier C	Installation works in relation to façade and curtain walls	A private company which engages in façade and curtain walls installation works based in Hong Kong	More than 11 years	30 days upon receipt of invoice; by cheque or bank transfer	16,396	11.6
4	Supplier D	Iron and steel supply and processing	A private company which engages in supply and processing of iron and steel based in Hong Kong	Approximately six years	30 days upon receipt of invoice; by bank transfer or cheque	9,055	6.4
5	Supplier E	Installation works in relation to façade and curtain walls	A sole proprietorship which engages in façade and curtain walls installation and renovation of store works based in Hong Kong	More than two years	30 days upon receipt of invoice; by cheque	5,785	4.1
Sub-total						101,072	71.2
All other suppliers						40,943	28.8
Total purchase						142,015	100.0

BUSINESS

For the year ended 31 March 2017

Rank	Supplier	Products/services provided to our Group	Background and principal business	Years of business relationship	Typical credit terms and payment method	Amount of purchase from the supplier	
						HK\$'000	%
1	Supplier F	Installation works in relation to façade and curtain walls	A private company which engages in façade and curtain walls installation works based in Hong Kong	More than two years	30 days upon receipt of invoice; by cheque	14,857	18.7
2	Supplier A	Fabricated glass and aluminum materials	A private company which engages in provision of glass and aluminium materials based in the PRC	More than two years	10% prepayment within seven days after the design is confirmed; 30 days upon receipt of invoice; by bank transfer	14,089	17.7
3	Supplier B	Installation works in relation to façade and curtain walls	A private company which engages in façade and curtain walls installation works based in Hong Kong	More than 11 years	30 days upon receipt of invoice; by cheque	12,267	15.4
4	SFDCL	Façade and drawing works services	A private company which engages in provision of design and shop drawing services based in the PRC	More than two years	30 days upon receipt of invoice; by bank transfer	6,889	8.6
5	Supplier D	Iron and steel supply and processing	A private company which engages in supply and processing of iron and steel based in Hong Kong	Approximately six years	30 days upon receipt of invoice; by bank transfer or cheque	4,819	6.1
Sub-total						52,921	66.5
All other suppliers						26,700	33.5
Total purchase						79,621	100.0

BUSINESS

For the four months ended 31 July 2017

Rank	Supplier	Products/services provided to our Group	Background and principal business	Years of business relationship	Typical credit terms and payment method	Amount of purchase from the supplier	
						HK\$'000	%
1	Supplier A	Fabricated glass and aluminium materials	A private company which engages in provision of glass and aluminium materials based in the PRC	More than two years	10% prepayment within seven days after the design is confirmed; 30 days upon receipt of invoice; by bank transfer	11,170	26.0
2	Supplier F	Installation works in relation to façade and curtain walls	A private company which engages in façade and curtain walls installation works based in Hong Kong	More than two years	30 days upon receipt of invoice; by cheque	8,571	20.0
3	Supplier B	Installation works in relation to façade and curtain walls	A private company which engages in façade and curtain walls installation works based in Hong Kong	More than 11 years	30 days upon receipt of invoice; by cheque	5,915	13.8
4	Supplier D	Iron and steel supply and processing	A private company which engages in supply and processing of iron and steel based in Hong Kong	Approximately six years	30 days upon receipt of invoice; by bank transfer or cheque	5,857	13.6

BUSINESS

Rank	Supplier	Products/services provided to our Group	Background and principal business	Years of business relationship	Typical credit terms and payment method	Amount of purchase from the supplier	
						HK\$'000	%
5	Supplier H	Safety stud anchor, anchor channel and other construction materials	A private company which engages in designing and providing technology, software and services to the world-wide construction industry	More than 11 Years	30 days upon receipt of invoice; by cheque	1,269	3.0
Sub-total						32,782	76.4
All other suppliers						10,108	23.6
Total purchase						42,890	100.0

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

One of our five largest suppliers during the Track Record Period, namely SFDCL, was a PRC company which specialises in the structural design and shop drawings of curtain wall systems. Our Group had been engaging SFDCL to perform design, structural calculations and shop drawings related work as our subcontractor. Prior to October 2015, SFDCL was wholly owned by an Independent Third Party. In October 2015, Mr. Gao Yingchang, a marketing manager of Polyfair HK, purchased SFDCL from its previous owner after their own negotiations, and has been the sole owner of SFDCL since then. Mr. Gao Yingchang was a director of Polyfair HK from 1 August 2013 to 14 June 2015 and remains as an employee of Polyfair HK after his resignation as a director of Polyfair HK. To the best knowledge of our Directors, none of Polyfair HK and its then associates except Mr. Gao Yingchang had any interest or involvement in the abovementioned transaction. During the Track Record Period, all purchases from SFDCL by our Group were priced with reference to the prevailing market price on a fair and reasonable basis.

With the intention to better provide one-stop design and build solutions to our customers, and to minimise any deviation from the original designs from time to time, Polyfair SZ was established in the PRC as a member of our Group, and has been performing all design, structural calculations and shop drawings related work for all of our projects since March 2017. As at the Latest Practicable Date, there were 47 employees in Polyfair SZ and most of them were employed from SFDCL. As confirmed by our Directors, our transactions with SFDCL have been discontinued since the commence of operation of Polyfair SZ.

Basis of selecting suppliers

Our Group maintains a list of approved suppliers and only engages suppliers on our list for our projects. To ensure the quality of our works, we are careful in selecting suppliers to be included in our list. We also review our list from time to time to consider whether any supplier should be removed or replaced from it based on their performance during the year.

When selecting or reviewing a supplier, we primarily consider the following: (i) quality of building materials or subcontract work; (ii) timely delivery of building materials or services; (iii) experience and track record; (iv) financial capability; and (v) promptness in following up or corrective action.

Key contract terms with our suppliers

Our Group has not entered into any long-term supply agreement with our suppliers or committed to any minimum purchase amount with our suppliers.

Building material suppliers

The terms of each purchase with our building material suppliers may vary. The principal terms of a typical purchase are summarised as below:

Material specifications:	An order with detailed descriptions of materials including type, size, technical specifications, price and quantity.
Payment terms:	Credit terms generally range from nil to 60 days from the invoice date of the relevant purchase.
Deposit or pre-payment:	Some of the building material suppliers demand up to 30% of the purchase amount to be placed as deposit or pre-payment while others do not require any deposit.
Delivery:	Some of the building material suppliers require our Group to pick up the building materials purchased on ex-factory basis. Others generally deliver the building materials directly to the construction sites or other designated locations.
Warranty:	For glass and aluminium, a warranty of 10 to 15 years will be provided by the building material suppliers.

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Subcontractors

The terms of each subcontracting agreement with our subcontractors may vary. The principal terms of a typical subcontracting agreement are summarised as below:

Scope of works:	The scope generally includes type of works, type of building, scale and length of the project.
Payment terms:	We generally make progress payments to our subcontractors with reference to our construction schedule.
Retention money:	Our Group usually has the rights to withhold 5% of each progress payment payable to our subcontractors as retention money. In general, the total amount of the retention money will not exceed 5% of the total subcontracting fee. Pursuant to the contract, the retention money will generally be released after completion of the project and 12 months after our acceptance of the work of our subcontractors.

Reasons for subcontracting arrangement

According to Ipsos Report, subcontracting of works is a usual practice in the Hong Kong construction industry. Generally, main contractors would outsource parts of the construction works to subcontractors. Sometimes property developers would nominate subcontractors for main contractors to outsource certain part of the construction works according to the expertise and specialist knowledge of the nominee. Similarly and for our projects, we may also subcontract some of our works to other subcontractors, depending on the availability of our labour resources and the cost of performing the works directly by ourselves. By subcontracting some of our works, we can retain additional labour for our engagement from time to time without the need to keep them employed as full-time staff.

During the Track Record Period, we generally subcontracted the design-related work (before March 2017) and installation works to our subcontractors after considering the needs of each project undertaken by us. All of the subcontracting arrangement are agreed on a case-by-case basis and we are responsible for supervising the works performed by our subcontractors, managing the project and coordinating with relevant parties.

Control on suppliers

We endeavor to ensure our works and our subcontractors' works meet the required standards. For each of our projects, our relevant project manager and site supervisor would be responsible for, among others, monitoring the quality of building materials used and installation works performed by our subcontractors. In particular, some of our quality control measures on our suppliers include:

- ensuring sufficient planning prior to executing the project to ensure that quality control measures and procedures are in place;
- maintaining a list of approved suppliers and only engaging those on our list. For details on our selection criteria, please refer to the sub-section headed "Suppliers – Basis of selecting suppliers" in this section; and
- conducting sample inspections on building materials supplied based on the technical specifications of the relevant projects. Building materials that are defective or that do not meet the specifications will be returned to our suppliers.

We also closely monitor the delivery time of our building material suppliers according to our construction programmes such that all the required building materials would be delivered to the relevant construction sites on time, hence avoiding delay in works progress on our side.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material dispute with our suppliers or any disruption or delay in relation to the delivery of their services which may materially or adversely affect our operations and financial conditions.

MARKET AND COMPETITION

According to Ipsos Report, the façade and curtain wall market in Hong Kong is driven by architects who produce designs which demand new production and material technologies. It is expected that there will be an increasing demand for high performance energy efficient façade systems.

The façade and curtain wall works industry in Hong Kong is a mature market with major players dominating the industry. According to the Industry Report, our Group is one of the active players in the façade and curtain wall works industry in Hong Kong.

For further information regarding the competitive landscape of the industry in which our Group operates, please refer to the section headed "Industry overview" of this prospectus.

HEDGING

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

QUALITY CONTROL

Quality control measures

We have in-house rules governing the work procedures for our projects in order to ensure our work quality. All our employees are required to follow such in-house rules. Mr. Wong Kam Man, our executive Director, is responsible for the general monitoring of our employees' compliance with our in-house rules. For the profile of Mr. Wong Kam Man, please refer to the section headed "Directors and senior management" of this prospectus.

On the other hand, we consider that the quality of our works generally depends on the quality of building materials supplied and installation works performed by our subcontractors at our construction site, which in turn are generally controlled by our quality control measures on our suppliers. Please refer to the sub-section headed "Suppliers – Control on suppliers" in this section.

Track record in relation to quality of our works

During the Track Record Period and up to the Latest Practicable Date and save as disclosed in the section headed "Financial information – Progress payments and other receivables – Progress payment receivables" of this prospectus, our Group did not receive any material complaint or demand for any kind of compensation from our customers or subject to any deductions, withholding, counter-claim or set-off due to the quality issues in relation to the work performed by us or by our subcontractors.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Group has maintained an internal control system and our Directors are responsible for monitoring its implementation of our internal control measures and reviewing its effectiveness. In preparation for the Listing, our Group has engaged an independent third party internal control consultant, Parkwell Corporate Consultancy Limited (the "Internal Control Consultant") to review and provide recommendations on improving our internal control system in order to manage our business risks and to ensure our smooth operation and avoid future recurrence of past non-compliance incidents as stated in the sub-section headed "Non-compliance" in this section. The initial review process took place from 10 October 2016 to 14 October 2016, beside the past non-compliance incidents, the key deficiencies identified by the Internal Control Consultant include (i) formalisation of policies and procedures and enhancement of internal controls for project documents management, human resources, financial and taxation reporting, treasury management and information technology; (ii) formalisation of risk management framework to identify, monitor, report and follow-up on any risks and non-compliance matters; and (iii) formalisation of policies and documents related to the Board and the Company's committees operation (the "Key Deficiencies").

The corresponding recommendation from the Internal Control Consultant for the Key Deficiencies includes (i) the establishment of formal policies to govern the procedures on project tendering, subcontractor and supplier selection and evaluation procedures, staff

employment, evaluation and termination procedures, bank borrowing and cash management, as well as enhancement of information technology controls; (ii) the establishment of risk assessment policies and follow-up procedures and designate a competent person to monitor and identify any risks and non-compliance matters; and (iii) the establishment of formal written policies, procedures and terms of reference of the Board and the Company's committees in accordance to GEM Listing Rules and relevant rules and regulations.

The Internal Control Consultant performed follow-up reviews in May 2017, July 2017 and August 2017 to review the status of the implementation carried out by our Group based on the recommendations. As such, our Group has adopted the internal control measures and rectified the Key Deficiencies. Major internal control measures and policies adopted by our Group including the following:

- (i) Our Group has improved our existing internal control systems by adopting a set of internal control manual and policies which cover legal matters, accounting and finance, risk management, operations, corporate governance;
- (ii) We have designated our financial controller to be responsible for overseeing all compliance matters. Our senior management personnel and the finance team have been briefed by our Directors on the importance of regulatory and compliance matters and we require all of our management and staff to report any non-compliance or potential non-compliance matters to the Directors as soon as practicable. Our financial controller is authorised to seek professional assistance and advice from external professional advisor if and whenever he deems appropriate;
- (iii) We will establish the Audit Committee prior to the Listing, which will establish formal arrangement for financial reporting, internal control and compliance. The Audit Committee is also responsible for supervising our internal control and risk assessment function that our Group has already established including various policies and procedures to project management, subcontracting, supplier and finance and accounting. For the qualifications and experience of these audit committee members, please refer to the section headed "Directors and Senior Management – Independent non-executive Directors" of this prospectus;
- (iv) we will appoint an external internal control advisor to perform regular or ad hoc review on our internal control system, risk assessment and compliance procedure and provide recommendation if necessary; and
- (v) we have appointed our sole sponsor, Sunfund Capital Limited, as our compliance adviser to advise us on compliance matters in relation to the GEM Listing Rules and various requirements relating to directors' duties and corporate governance.

Based on the follow-up reviews, the Internal Control Consultant has concluded that material internal controls have been in place properly and did not have any further recommendation thereafter. Based on the results of the follow-up review, the Directors confirmed that our Group had adopted all of the internal measures and policies suggested by the Internal Control Consultant and did not have any significant deficiencies in its internal control system as at the Latest Practicable Date.

OCCUPATIONAL HEALTH AND SAFETY MATTERS

Our Group is subject to laws and regulations relating to labour, health and safety of the relevant jurisdictions. During the Track Record Period, there were no material violations of any applicable labour, health or safety regulations in the relevant jurisdictions by our Group. There were various claims and litigations in relation to labour, health and safety issues. Please refer to the sub-section headed “Legal proceedings and material claims” in this section for more details. Save for the aforesaid, there were no material claims against our Group relating to labour, health and safety issues.

Save for the above, our employees or workers may be involved in accidents resulting in injuries from time to time given the nature of our operations. We have taken out insurance in compliance with applicable laws and regulations with a view to providing adequate coverage for such work-related injuries for our employees and we have not incurred any material liabilities as a result thereof. As such, these accidents do not have a material impact on our operations.

Under the Buildings Ordinance and the Technical Memorandum for Supervision Plans 2009, certain requirements are imposed on the applicants for the consent to the commencement of building works which include, among others, the SSSP. Please refer to section headed “Regulatory Overview – Hong Kong” of this prospectus for further information.

During the Track Record Period, in order for the main contractors to fulfill their obligations imposed on them under the Buildings Ordinance, certain main contractors of our projects have requested our Group to provide TCP(s) as the quality control co-ordinator for the SSSP, the number and grade of such TCP(s) varied from project to project.

For each individual project, the quality control co-ordinators provided by our Group for each individual project ranged from nil to two TCP(s) of grade T1, one TCP of grade T3 and one TCP of grade T4 (which was provided by an external construction consultancy firm to our Group). As at the Latest Practicable Date, we have in total 15 staff members that have TCP qualification of T1 and four staff members that have TCP qualification of T3.

Our Group has taken sufficient and appropriate measures in verifying the eligibility of the workers hired. We endeavor to ensure that our Group has complied with all relevant laws and regulations on labour, health and safety in the relevant jurisdictions by evaluating the hazards of the projects and preparing risk assessments of the construction sites. Our Group will also review and update the risk assessments regularly to include new items that were not previously included, in order to ensure the effectiveness in avoiding accidents. Any unsafe conditions not covered by the risk assessments will be corrected.

Internal health and safety procedures

Our Group has established procedures to provide its workers with a safe and healthy working environment by adopting work safety rules for employees. The employees of our Group are also required to observe the occupational health and safety measures and policy of the main contractor put up at conspicuous places at the relevant construction site. The safety representative at the construction site is required to ensure that the site personnel receive the appropriate safety training and undergo the induction course provided by the main contractor such that the site personnel has to be familiar with the specific conditions of the construction site. In addition, the safety representative has to ensure that all personnel wear the protective clothing and/or use the appropriate safety equipment at the construction site, evaluate the construction site for any unsafe conditions before the start of work every day and take proper steps to eliminate exposure to hazard conditions at the construction site.

Further, as part of our Group's safety measures, (i) all personnel are required to report any accidents and/or damage to property or equipment, irrespective of whether any persons are injured; (ii) management and supervisory personnel are required to carry out continual health and safety surveillance and take immediate steps to remedy any defects or unsafe practices they observe; and (iii) suitable procedures and drills for emergency situations will be implemented.

To further improve the safety standard, our Group has adopted the following enhanced safety and preventive measures to further reduce the risk of accidents in relation to work safety since July 2017:

- (i) the designated site supervisor for each project would generally also hold a safety certificate and be the safety officer of the construction site. During the site safety inspection, a checklist setting out safety requirements will be gone through by the safety officer. Photos will also be taken during the site safety inspection for record purposes. The safety officer is responsible for reviewing our current construction site safety policy and procedures and giving suggestions for improvement. The safety inspection report will be provided to our Group within two days after such site inspection;
- (ii) our Group has assigned the project manager to be responsible for reminding all the site staff from time to time on the importance of site safety and to reinforce the importance of our site safety and health procedures. Site inspections and visits will be conducted periodically to ensure the compliance with statutory provision by our employees and its subcontractors' employees;
- (iii) our Group has provided sponsorship for our employees to attend seminars and training sessions with respect to safety and skills development;
- (iv) our safety officer shall review our safety and preventive measures on a quarterly basis to assess our adequacy and effectiveness in mitigating the risks of recurrence of accidents and injuries on subcontractors' workers on sites;

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- (v) our Group shall establish a subcontractors performance assessment form to analyse the performance of our subcontractors. Our project managers will conduct an annual appraisal of the subcontractors; and
- (vi) our project management teams have distributed updated safety guidelines to our subcontractors in relation to the proper use of equipment and maintenance of safe workplaces.

According to the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and the typical agreements with our customers and/or the insurance companies, accidents and injuries involving employees of our Group and its subcontractors during their course of employment are required to be reported to the Labour Department of the Government and/or our customer and/or the insurance company in accordance with the procedures required by law or the relevant insurance policies. Our Group also maintains an internal record of accidents.

During the Track Record Period and up to the Latest Practicable Date, our Group recorded accidents which involved six workers who were employed by our subcontractors and resulted in employee compensation claims filed against our Group. For details of such accidents and the claims or potential claims relating thereto, please refer to the sub-sections headed "Legal proceedings and material claims – (1) Material claims and litigations against our Group settled (whether by way of court judgement or settlement) during the Track Record Period and up to the Latest Practicable Date" and "Legal proceedings and material claims – (2) Potential personal injuries claims against our Group as at the Latest Practicable Date" in this section.

The following table sets forth a comparison between the average accident rate and fatality rate per 1,000 workers of the Hong Kong construction industry and that of our Group:

	In the Hong Kong construction industry (Note 1)	In our construction sites (Note 2)
Year ended 31 December 2015/31 March 2016		
Accident rate per 1,000 workers	39.1	19.7
Fatality rate per 1,000 workers	0.2	–
Year ended 31 December 2016/31 March 2017		
Accident rate per 1,000 workers	34.5	–
Fatality rate per 1,000 workers	0.093	–
Four months ended 31 July 2017		
Accident rate per 1,000 workers	NA	–
Fatality rate per 1,000 workers	NA	–

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Notes:

1. The figures are for the two years ended 31 December 2016, and based on Occupational Safety and Health Statistics Bulletin Issue No. 17 (August 2017) published by the Occupational Safety and Health Branch of the Labour Department. The figures for the four months ended 31 July 2017 were not available as at the Latest Practicable Date.
2. The figures are for the two years ended 31 March 2017 and the four months ended 31 July 2017. Our accident rate is calculated as the occurrence of industrial accidents during the year/period divided by the daily average construction site worker (including both employees of our Group and our subcontractors) in our construction sites during the year/period and multiplied by 1,000.

The following table sets forth our lost time injuries frequency rates (“LTIFR(s)”):

For the year ended 31 March 2016	7.2
For the year ended 31 March 2017	–
For the four months ended 31 July 2017	–

Notes:

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

Our Group experienced a decrease in the accident rate from 19.7 for the year ended 31 March 2016 to nil for both the year ended 31 March 2017 and the four months ended 31 July 2017. Our Group did not experience any occurrence of fatality in our construction sites. After the Track Record Period and up to the Latest Practicable Date, we recorded two accidents regarding minor injuries of employees of our subcontractors. Our Directors consider that our accident rate and fatality rate during the Track Record Period was comparatively lower than the industry average, and that satisfactory safety measures have been undertaken by us and our subcontractors in our construction sites. We will continue to make effort to maintain and enhance our safety management to mitigate our safety risks.

Having considered (i) the safety measures and preventive measures which our Group has put in place; (ii) the average accident rates per 1,000 workers of our Group at our construction sites for the year ended 31 March 2017 and the four months ended 31 July 2017, which have been reduced as compared to average accident rate for the year ended 31 March 2016 and are lower than the industry average; and (iii) none of the accident has resulted in fatal injury, the Sole Sponsor is of the view that our Group has adequate internal control procedures and policies in place to prevent any occurrence of repeat non-compliances in the future.

ENVIRONMENTAL PROTECTION

The installation works performed by our subcontractors may have an inevitable impact on the environment and are subject to certain laws and regulations related to environmental protection. Our Group may also be liable if our subcontractors commit any violations to certain laws and regulations related to environmental protection. Please refer to the section headed “Regulatory overview – Hong Kong” of this prospectus for more details.

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Our Directors confirm that there is no required permit and approval which are applicable to us during the track Record Period. Nonetheless our Directors believe it is important for our Group to operate with good environmental responsibility. We require our subcontractors to comply with all applicable laws and regulations related to environmental protection during the whole term of our engagements with them. Our Directors further confirm that we did not receive notice of any environmental non-compliance in Hong Kong, either by our subcontractors or our Group, during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, our Group maintains insurance coverage against, amongst other matters, (i) employees' compensation; and (ii) fire damage to our office.

During the Track Record Period and up to the Latest Practicable Date, our Group had been or is involved in a number of claims against our Group. The amounted claimed pursuant to such claims is fully covered by our insurance. For more details about the claims and the relevant amount claimed, please refer to items four to seven under the table in the sub-section headed "Legal proceedings and material claims – (1) Material claims and litigations against our Group settled (whether by way of court judgement or settlement) during the Track Record Period and up to the Latest Practicable Date" in this section. Our Directors consider that the existing insurance coverage is adequate and consistent with the industry norm while taking into account our current operations. Please refer to the section headed "Risk factors – Risks relating to our business – our insurance may not fully cover all the potential losses and liabilities arising from our business" of this prospectus for further details.

According to the Social Insurance Law of the PRC, our Group is required to make social insurance contributions for our employees in the PRC. As at the Latest Practicable Date, our Group had maintained social insurance schemes for our employees in the PRC. According to the Administrative Regulations on Housing Provident Funds, our Group is also required to make contributions to housing provident fund for our employees in the PRC. As at the Latest Practicable Date, our Group had contributed to housing provident funds for our employees in the PRC. As advised by the PRC Legal Advisers, our Group has complied with all relevant labour laws and social insurance laws and regulations in the PRC in all material respects.

EMPLOYEES

Number of employees by function

As at 31 March 2016 and 2017 and the Latest Practicable Date, our Group had 21, 65 and 85 full-time employees, respectively. Except as at 31 March 2016 where we only have employees in Hong Kong, all our employees were stationed in either Hong Kong or the PRC.

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Set out below is the functional distribution of our full-time employees as at the Latest Practicable Date:

Functions	Hong Kong office	PRC office
Management	2	1
Project management	21	–
Design	5	44
Administration, accounting and finance	10	2
	<hr/>	<hr/>
Total	38	47
	<hr/>	<hr/>

Relationships with staff

Our Directors consider that we have maintained good relationships with our employees, and confirm that we have complied with all applicable labour laws and regulations in Hong Kong and the PRC.

Our Directors confirm that we have not experienced any significant problem with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulty in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there had been no labour union established by our employees.

Recruitment policy

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

Training and remuneration policy

Our Group has entered, and will continue to enter, into separate employment contracts with each of our employees in accordance with the applicable labour laws in Hong Kong and the PRC, depending on the location of work of the employee.

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The remuneration package offered to our employees generally included basic salaries, bonuses and other cash allowances or subsidies. Our Group determines the salary of our employees mainly based on each employee's qualifications, relevant experience, position and seniority. Our Group conducts annual review on salary increase and promotions based on the performance of each employee. Our Group provides on-job training to our employees and sponsors certain employees to attend training courses.

PROPERTIES

Owned properties

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

Leased properties

As at the Latest Practicable Date, our Group leased two properties in Hong Kong and two properties in the PRC and their details are set out below:

No.	Location	Gross floor area (approximately)	Period of Lease	Monthly Rental	Usage
1.	Unit 2006-7, Fortress Tower, No. 250 King's Road, Hong Kong	3,226 square ft.	15 March 2018 to 14 March 2021	HK\$80,650	For general office and operational use
2.	Unit 1206-7, Fortress Tower, No. 250 King's Road, Hong Kong	3,226 square ft.	16 November 2016 to 15 November 2018	HK\$74,198	For general office and operational use
3.	Room 1212, Block East, Baihuo Square, No. 123 Shennan East Road, Luohu District, Shenzhen, China* 深圳市羅湖區東門街道 深南東路123號 百貨廣場大廈東座1212室	167.4 square meters	1 March 2017 to 30 March 2018	RMB16,740	For general office and operational use
4.	Room 1213-1214, Blk East, Baihuo Square, No. 123 Shennan East Road, Luohu District, Shenzhen, China* 深圳市羅湖區東門街道 深南東路123號 百貨廣場大廈東座1213-1214室	213.5 square meters	1 April 2017 to 30 March 2018	RMB21,350	For general office and operational use

During the Track Record Period, our Group had not experienced any difficulty in renewing the leases.

LICENSES AND PERMITS

Our Directors confirm that we have obtained all necessary licenses, approvals and permits from the relevant governmental authorities for our business operations in Hong Kong and the PRC.

Polyfair Construction & Engineering Limited, a member of our Group, has been registered under the Subcontractor Registration Scheme since 2007, which aims to build up a pool of capable and responsible subcontractors with specialised skills and a high standard of professional ethnics.

INTELLECTUAL PROPERTY

Trademark

As at the Latest Practicable Date, our Group had registered one trademark in Hong Kong. Information relating to the trademark is set out in the section headed “Statutory and general information – B. Further information about the business of our Group – 2. Intellectual property – (a) Trademark” in Appendix IV to this prospectus.

Domain name

As at the Latest Practicable Date, our Group had registered one domain name, being polyfaircurtainwall.com.hk, in Hong Kong. Information relating to such domain name is set out in the section headed “Statutory and general information – B. Further information about the business of our Group – 2. Intellectual property – (b) Domain name” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned or being applied by us.

LEGAL PROCEEDINGS AND MATERIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims, litigations and pending or threatened claims against our Group.

BUSINESS

(1) Material claims and litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date

No.	Nature of Incident/claim	Details of the incidents/injuries	Date/period of incident	Capacity of Plaintiff(s)/ Claimant(s)	Name(s) and capacity of defendant(s)	Amount/estimated quantum of damages claimed	Status
1.	(i) Employee's compensation claim under Employee's Compensation Ordinance (Cap. 282 of the Laws of Hong Kong)	It was alleged that the claimant sustained knee injury when he was installing frames for the curtain wall	8 June 2013	Employee of the subcontractor of Polyfair HK	a) Polyfair HK as subcontractor b) Main contractor of the project	(i) HK\$171,681.20 plus interest and costs	(i) Consent Order was filed on 23 June 2014
	(ii) Personal injury claim					(ii) HK\$250,000.00 plus costs	(ii) Consent Order was filed on 10 January 2017
2.	Charge under Regulations 38B(1A), 43(b), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations (Cap. 59I of the Laws of Hong Kong)	It was alleged that Polyfair HK (i) failed to take adequate steps to prevent person from falling from a height of 2 metres or more and (ii) failed to ensure provides suitable goggles or effective screens for the protection of workman at two construction sites	22 April 2015	The Government of the HKSAR	Polyfair HK as subcontractor	HK\$40,000.00	Order against Polyfair HK was made on 26 November 2016 and the fine was paid
3.	Charge under Regulations 38B(1A), 43(b), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations (Cap. 59I of the Laws of Hong Kong)	It was alleged that Polyfair HK failed to take adequate steps to prevent person from falling from a height of 2 metres or more at a construction site	29 September 2015	The Government of the HKSAR	Polyfair HK as subcontractor	HK\$15,000.00	Order against Polyfair HK was made on 9 November 2016 and the fine was paid
4.	Employee's compensation claim under Employee's Compensation Ordinance (Cap. 282 of the Laws of Hong Kong)	It was alleged that the claimant sustained hand injury when he was setting the stud anchor at a construction site	14 November 2015	Employee of the subcontractor of Polyfair HK	a) Polyfair HK as subcontractor b) Main contractor of the project	HK\$59,200.00	The claim was fully settled
5.	Employee's compensation claim under Employee's Compensation Ordinance (Cap. 282 of the Laws of Hong Kong)	It was alleged that the claimant sustained toes injuries when transporting a glass plate at a construction site	16 November 2015	Employee of the subcontractor of Polyfair HK	a) Polyfair HK as subcontractor b) Main contractor of the project	HK\$75,600.00	The claim was fully settled

BUSINESS

No.	Nature of Incident/claim	Details of the incidents/injuries	Date/period of incident	Capacity of Plaintiff(s)/ Claimant(s)	Name(s) and capacity of defendant(s)	Amount/estimated quantum of damages claimed	Status
6.	Employee's compensation claim under Employee's Compensation Ordinance (Cap. 282 of the Laws of Hong Kong)	It was alleged that the claimant sustained back injury when working on the scaffolding at a construction site	27 November 2015	Employee of the subcontractor of Polyfair HK	a) Polyfair HK as main contractor b) Subcontractor of the project	HK\$69,050.67	The claim was fully settled
7.	Employee's compensation claim under Employee's Compensation Ordinance (Cap. 282 of the Laws of Hong Kong)	It was alleged that the claimant sustained palm injury when working at a construction site	24 February 2016	Employee of the subcontractor of Polyfair HK	a) Polyfair HK as subcontractor b) Main contractor of the project	HK\$183,506.40	The claim was fully settled

(2) Potential personal injuries claims against our Group as at the Latest Practicable Date

As confirmed by our Directors, as at the Latest Practicable Date, there were six potential claims in which the injured are employees of our subcontractors. As at the Latest Practicable Date, among such six injured persons,

- (a) four of them reached settlement on their employee's compensation claims under Employee's Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), details of which are set out in items 4 to 7 under the table in the sub-section headed "Material claims and litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date" in the above. As at the Latest Practicable Date, our Group had not received any personal injuries claims under common law from such injured persons;
- (b) one of them is an employee of the subcontractor of Polyfair HK who allegedly sustained thumb injury when working at a construction site. As at the Latest Practicable Date, our Group had not received the assessment certificate from the Labour Department stating the assessment result and compensation amount in notation to the employee's compensation claim under Employee's Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). As at the Latest Practicable Date, our Group had not received any personal injuries claim under common law from such injured person; and
- (c) one of them is an employee of the subcontractor of Polyfair HK who allegedly sustained back contusion injury when working at a construction site. As at the Latest Practicable Date, our Group had not received any employee's compensation claim under Employee's Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) or personal injuries claim under common law from such injured person.

BUSINESS

As such injured persons have not yet filed claims with particulars, and the claims, when filed, will be handled by solicitors appointed by the insurers, our Group are not in the position to assess the likely amount of such potential claims. In any event, our Group has insurance cover for its liabilities resulting from all these incidents, and, as at the Latest Practicable Date, notices of the accidents had been given to the insurers (save for an accident happened in December 2017 where our Group is informed by our customer (who takes out the relevant insurance policy) that the notice to the insurer is not yet given). Since all the injured were deemed employees of our Group or its subcontractors, they would be fully covered by the mandatory insurance.

Our Directors confirm that they are not involved in the above claims and litigations and are of the view that these claims and litigations would not have any material adverse impact on our Group.

Save as disclosed in this prospectus, no member of our Group was involved in any claim, litigation or arbitration of material importance and no other claim, litigation or arbitration of material importance that is known to our Directors would involve any member of our Group.

Given that the claims and potential claims for employees' compensation or personal injuries claims against our Group are either covered by insurance or being settled, our Directors are of the view that the claims and potential claims as disclosed above have no material adverse impact on the operation or financial position or business of our Group.

NON-COMPLIANCE

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

Safety and health-related non-compliance

During the Track Record Period and up to the Latest Practicable Date, our Group had been or is involved in a number of claims, litigations and pending or threatened claims against our Group in relation to safety and health-related laws and regulations, details of which are set out in the table under the sub-section headed "Legal proceedings and material claims – (1) Material claims and litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date" in this section.

As at the Latest Practicable Date, the aforesaid claims and litigations against our Group were fully settled.

Upon identification of the aforementioned non-compliances, our Group has adopted various internal control measures to reduce the risk of recurrence of safety and health-related non-compliance, details of which are set out under the sub-section headed "Occupational health and safety matters – Internal health and safety procedures" in this section.

BUSINESS

Our Directors believe that the aforementioned safety and health-related non-compliance incidents did not involve intentional misconduct, fraud or dishonesty on the part of our Group and Directors. Our Directors confirm that save as disclosed under the sub-section “Legal proceedings and material claims – (2) Potential personal injuries claims against our Group as at the Latest Practicable Date” in this section, there is no pending litigation involving safety and health-related non-compliance by our Group as at the Latest Practicable Date. Accordingly, our Directors consider that the legal consequences resulting from the abovementioned safety and health-related non-compliance incidents, whose claims were fully settled, did not have material adverse impact on our Group.

Tax-related non-compliance

During the Track Record Period and up to the Latest Practicable Date, our Group was involved in a tax-related non-compliance in relation to the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (the “IRO”) as set out below:

Non-compliance incidents	Reason for the non-compliance	Potential maximum penalties and legal consequences	Actual additional tax	Remedial actions
Non-compliance in relation to late submission of tax return for Polyfair HK for year of assessment 2015/16	The non-compliance was not willful and was due to insufficient accounting staff to prepare the tax return in a timely manner	Pursuant to Section 82A of the IRO, the Inland Revenue Department (the “IRD”) is empowered to assess an additional tax of an amount not exceeding treble the amount of tax undercharged	HK\$50,000	Please see below

Remedial Actions

(i) Appointment of new tax representative

In view of the non-compliance with the IRO in respect of late submission of tax return for Polyfair HK for the year of assessment 2015/16, Polyfair HK has appointed a reputable international accounting firm as tax representative (the “Tax Representative”) and discussed with the IRD. According to the notice of assessment and demand for additional tax issued by IRD in September 2017, the actual additional tax was HK\$50,000. Accordingly, such amount has been provided for the year ended 31 March 2017 and settled in September 2017.

(ii) Employment of accounting and finance senior management

Our Group has employed Mr. Wong Kam Yin as our financial controller in April 2017, to oversee the accounting and finance department and monitor the financial reporting procedures and tax filing process of each of our Group’s subsidiaries to ensure the compliance of relevant laws and regulations.

Internal Control Measures

We believe that the above non-compliance incident is not crucial to our operations and would not materially affect our business and results of operations and our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system to prevent future recurrence of the non-compliance incident. In particular, in order to prevent recurrence of the above non-compliance incident:

- (i) Our accounting and finance department will be responsible for monitoring the progress of accounting, auditing and tax filing. Mr. Wong Kam Yin, our financial controller who is a member of Hong Kong Institute of Certified Public Accountants with over 10 years of experience in the accounting and auditing disciplines, will ensure the completeness of the tax filing process;
- (ii) Our Group has formulated and adopted our internal control manual including the procedures for tax filing, tax computation and financial reporting to prevent recurrence of such non-compliance incidents;
- (iii) Formal month-end and year-end closing process of financial records are in place to ensure the timely preparation of financial statements for financial and tax reporting purposes;
- (iv) Our Audit Committee will oversee the financial reporting and internal control procedures to ensure compliance with GEM Listing Rules and all relevant tax laws and regulations;
- (v) Our Group will appoint an external professional tax adviser on an ongoing basis to advise us on tax reporting and compliance, if necessary; and
- (vi) Our management team will ensure the accounting and finance department is equipped with sufficient experienced personnel to handle tax issue, tax filing and tax computation. Our Group will also seek advice from external professional tax adviser to ensure our finance and accounting department will be aware of the regulation development and changes.

After due consideration the background leading to the non-compliance with the IRO in respect of late submission of tax return, our Directors and Sole Sponsor are of the view that the various internal control measures adopted by our Group are adequate and effective and the non-compliance events did not have material adverse impact on our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any option which has been or may be granted under the Share Option Scheme), each of Mr. Chow and C.N.Y. Holdings is or is deemed to be entitled to exercise or control the exercise of 30% or more of voting rights at general meetings of our Company. As such, each of Mr. Chow and C.N.Y. Holdings is regarded as a Controlling Shareholder. In addition, on the basis that Mr. Yu has restricted his ability to exercise direct control over our Company as he holds his interest through a common investment holding company with Mr. Chow, namely C.N.Y. Holdings, Mr. Yu is one of Controlling Shareholders with Mr. Chow and C.N.Y. Holdings.

Save as disclosed above, there is no other person who will, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any option which has been or may be granted under the Share Option Scheme), be or is deemed to be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

RULE 11.04 OF THE GEM LISTING RULES

During the Track Record Period, our Group is a subcontractor engaged in the provision of façade and curtain wall solutions which generally include both design and project management services and are customised to commercial and residential buildings in Hong Kong.

As at the Latest Practicable Date, Mr. Chow is interested in 21% of the issued shares and a minority shareholder and director of CMD Metal Industry (H.K.) Co., Ltd. (“CMD (HK)”), a company incorporated in Hong Kong with limited liability and a director of CMD Aluminium Industry (Shenzhen) Co., Ltd (招發金屬幕牆(深圳)有限公司) (“CMD (SZ)”), being a company established in the PRC and a wholly-owned subsidiary of CMD (HK). CMD (HK) and CMD (SZ) principally engage in manufacturing of curtain wall in the PRC and wholesale of construction materials, glass and aluminium products in the PRC, Hong Kong and Macau.

During the Track Record Period, our Group did not engage in manufacturing of curtain wall and wholesale of construction materials, glass and aluminium products in Hong Kong, the PRC and Macau and has no business dealings with CMD (HK) and CMD (SZ). Mr. Chow has further confirmed that both CMD (HK) and CMD (SZ) did not supply any curtain wall and construction materials, glass and aluminium products to our subcontractors during the Track Record Period and up to the Latest Practicable Date.

Given the above and that Mr. Chow does not have control in CMD (HK) or CMD (SZ), our Directors are of the view that there is a clear delineation between the business operated by our Group and that operated by CMD (HK) and CMD (SZ). Each of our Controlling Shareholders, our Directors, our Substantial Shareholders and their respective close associates does not have any interest in a business apart from our Group’s business which competes or may compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group is capable of operating independently of our Controlling Shareholders after Listing on the basis of the following information:

Management independence

The day-to-day management and operation of the business of our Group will be the responsibility of all of the executive Directors and senior management of our Company. Our Board has six Directors comprising three executive Directors and three independent non-executive Directors. Each of Mr. Chow and Mr. Yu is also the ultimate Controlling Shareholder of our Company. Save for Mr. Chow and Mr. Yu, none of the other Directors nor do any of members of the senior management is a Controlling Shareholder.

We consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit of and in the best interests of our Company and does not allow any conflict between his duties as a Director and his 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 associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum; and
- (c) our Company has an independent senior management team to carry out the business decisions of our Group independently.

Operational independence

Our Group has established our own management, finance, human resources, administration, procurement, sales and marketing, quality control departments which are responsible for daily operations of our Group. Our Group has not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and its associates. Our Group has also established a set of internal controls to facilitate the effective operation of its business.

Our suppliers and customers are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their associates and have our independent access to our suppliers and customers for the provision of services and materials and an independent management team to handle our day-to-day operations.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial independence

We have an independent financial system and make financial decisions according to our own business needs. As at the Latest Practicable Date, our Group had certain banking facilities that were secured by (a) personal guarantees given by Mr. Chow and Mr. Yu, each being one of our Controlling Shareholder and the directors of Polyfair HK; and (b) mortgage over certain properties owned by Mr. Yu and the associates of Mr. Chow. Such guarantees and mortgages will be released upon Listing and be replaced by corporate guarantee from our Group.

During the Track Record Period, our Group has certain amount due to/from our Controlling Shareholders. Please refer to note 19 of the accountants' report of our Group set out in Appendix I to this prospectus. All amounts due to/from our Controlling Shareholder was fully settled.

During the Track Record Period, one of our projects with total contract sum of HK\$22 million was secured by a personal guarantee provided by Mr. Yu. As at the Latest Practicable Date, the said personal guarantee has been released and replaced by a letter of guarantee issued by a bank.

In view of the above, our Directors consider that our Group is not financially dependent on our Controlling Shareholders and/or their respective associates in our business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders (each a “**Covenantor**” and collectively, the “**Covenantors**”) entered into the Deed of Non-Competition in favour of our Company on 25 January 2018, under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warrants and undertakes to our Company (for ourselves and as trustee for each of its subsidiaries) that:

- (a) each of the Covenantors shall not, and shall procure each of his/its close associates and/or companies controlled by he/it, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest 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 is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to providing façade and curtain wall works solutions which generally include both design and project management services and are customised to commercial and residential buildings in Hong Kong and any other country or jurisdiction to which our Group markets, sells, distributes, supplies or otherwise provides such products and/or in which any member of our Group carries on

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

businesses mentioned above from time to time (the “**Restricted Business**”). Each of the Covenantors has represented and warranted to our Group that neither he/it nor any of his/its close associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group;

- (b) if each of the Covenantors and/or any of his/its close associates 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: (i) promptly in any event not later than seven days notify our Company in writing 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 (ii) 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; and
- (c) if our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within 30 business days (the “**30-day Offering Period**”) of receipt of notice from the Covenantors, the Covenantors and/or his/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. The Covenantors also agree to extend the 30 business days to a maximum of 60 business days if our Company requires so by giving a written notice to the Covenantors within the 30-day Offering Period.

In addition, upon Listing, each of the Covenantors has also undertaken:

- (i) in favour of our Company to provide our Company and our Directors (including our independent non-executive Directors) with all information necessary, including but not limited to monthly turnover records and any other relevant documents considered necessary by our independent non-executive Directors, for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition;
- (ii) to provide to our Company, after the end of each financial year of our Company, a declaration made by each of the Covenantors which shall state whether or not the Covenantors have during that financial year complied with 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 disclosures in the corporate governance report; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) to our Group to allow our Directors (including our independent non-executive Directors), their respective representatives and the auditors to have sufficient access to the records of the Covenantor and his/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

Further, each of the Covenantors has undertaken that during the period in which he/it and/or his/its close associates, individually or taken as a whole, remains as a Controlling Shareholder:

- (i) he/it will not 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;
- (ii) he/it will not solicit any existing or then existing employee of our Group for employment by him/it or his/its close associates (excluding our Group);
- (iii) he/it 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 our Controlling Shareholder for any purposes; and
- (iv) he/it will procure his/its close associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above unless pursuant to the provisions stipulated in the Deed of Non-competition.

The above undertakings (i) and (iv) are subject to the exception that any of the close associates of the Covenantors (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Business or any project or business opportunities, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of our independent non-executive Directors, confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Business and provided also that the principal terms on which that relevant close associate of the Covenantor(s) invests, participates or engages in the Restricted Business are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant close associate of the Covenantor(s) decides to be involved, engaged, or participated in the relevant Restricted Business, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The non-competition undertaking will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earlier of:

- (i) the date on which such Covenantor and his/its close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholder and do not have power to control the Board or there is at least one other independent Shareholder other than the Covenantors and his/its respective close associates holding more Shares than the Covenantors and his/its respective close associates taken together; or
- (ii) the date on which the Shares cease to be listed and traded on GEM or other recognised stock exchange.

In order to strengthen the corporate governance and to effectively monitor the observance under the Deed of Non-Competition in respect of the existing and potential conflict of interests between our Group and the Covenantors, upon Listing:

- (1) our Company will disclose in the annual reports the compliance and enforcement of the undertakings by the Covenantors in respect of the Deed of Non-Competition and the appropriate action to be taken by our Company;
- (2) our Company will disclose the details and basis of the decisions on the matters reviewed by the independent non-executive Directors in relation to the compliance and enforcement of arrangement of the New Business Opportunity in the annual reports;
- (3) our independent non-executive Directors will be responsible for deciding, in the absence of any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information, but in no circumstances shall our executive Director(s), who participate in such meeting, be counted towards the quorum or allowed to vote in such meeting), whether or not to take up, or whether or not to allow any Controlling Shareholder(s) or its close associate(s) to participate in, a New Business Opportunity referred to us under the terms of the Deed of Non-Competition from time to time and if so, specifying any conditions to be imposed;
- (4) our Board will ensure reporting any event relating to potential conflict of interests to our independent non-executive Directors as soon as practicable when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;
- (5) following the reporting of any event relating to potential conflict of interests, our Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the GEM Listing Rules in order to monitor any irregular business activities and alert the Board, including our independent non-executive Directors, to take any precautions actions; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (6) in the event that there is any potential conflict of interest relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the GEM Listing Rules, be required to declare his/its interests and, where required abstain from in the relevant board meeting and/or general meeting voting on the transaction and not count as quorum where required.

NON-DISPOSAL UNDERTAKINGS

Our Company and each of our Controlling Shareholders have given certain undertakings in respect of the Shares to our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters and the Stock Exchange, details of which are set out in the section headed “Underwriting – Underwriting arrangements and expenses – Undertakings by our Controlling Shareholders” of this prospectus.

CORPORATE GOVERNANCE MEASURES

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

- (1) the Articles provide that a Director shall not vote on any resolution of the Board (nor shall he be counted in the quorum) approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested unless otherwise permitted by the Articles;
- (2) our Audit Committee will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders;
- (3) our Company will obtain (i) an annual written confirmation in respect of our Controlling Shareholders’ compliance with the terms of the Deed of Non-competition; (ii) consent (from each of our Controlling Shareholders) to refer to the said confirmation in our annual reports and (iii) all information as may reasonably be requested by us and/or our independent non-executive Directors for our review and enforcement of the Deed of Non-Competition;
- (4) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (5) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (6) our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/its close associates to be involved in or participate in a Restricted Business and if so, specifying any condition to be imposed; and
- (7) our Company has appointed Sunfund Capital Limited as the compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the GEM Listing Rules and applicable laws.

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

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS GOALS AND FUTURE PLANS

Our goals are to expand our business in Hong Kong and further strengthen our overall competitiveness. We intend to achieve such goals by actively and continuously providing façade and curtain wall works solutions while maintaining high standards of project management and works quality, and expanding our operation teams and scale. Please refer to the section headed “Business – Business strategies” of this prospectus for more details on our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$0.30, being the mid-point of the indicative Offer Price range, and after deducting related underwriting fees and estimated expenses in connection with the Share Offer, our Group estimates that the aggregate net proceeds to our Company from the Share Offer will be approximately HK\$34.2 million. Our Directors presently intend to apply such net proceeds as follows:

1. Strengthening our financial positions

We plan to reserve approximately HK\$17.6 million or 51.4% of the net proceeds for strengthening our financial positions to capture more business opportunities, which are likely driven by the development in Hong Kong public infrastructure and property as supported by the Government, as well as the blooming construction industry. In particular, such amount will be earmarked as to:

- i. approximately HK\$11.2 million or 32.7% of the net proceeds for settling upfront costs of three new projects and one potential project. From our past experience, our Group generally incurs substantial upfront costs for our projects before receiving first progress payments from our customers. Such upfront costs generally amount to approximately 14.4% of the respective project’s contract sum in average (please refer to the section headed “Business – Business strategies” of this prospectus for more details). As at the Latest Practicable Date, we secured three new commercial building projects: (i) one located at Wing Kin Road with a contract sum of approximately HK\$32.1 million; (ii) one at Yue Man Square with a contract sum of approximately HK\$63.8 million; and (iii) one at Yeung Uk Road pending for an issue of the letter of award to us with a contract sum of over HK\$100 million but less than HK\$120 million, the exact amount of which to be confirmed among the customer and our Group. Our staff has commenced work on the design, structural calculation and shop drawings of the two projects at Wing Kin Road and Yue Man Square, respectively, for Buildings Department’s approval, which our management expects to obtain in the first half of year 2018. Based on our tender submission and our management’s understanding from customer during negotiations, we expected that the project at Yeung Uk Road will commence in February 2018. We also commenced the process of specifications negotiation with customer after our tender submission regarding a large-scale residential project with a tender sum over

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HK\$300 million but less than HK\$330 million as at the Latest Practicable Date. After having considered that (i) the tendering process of this project has been commenced since July 2017, (ii) we are involved in discussions on specifications of this project with not only the customer but also with its architect and other contractors, (iii) we have business relationship with this customer for more than nine years and we have thorough understanding of each other's work and projects, (iv) during the Track Record Period, we completed four projects for this customer, and (v) based on our working experience with this customer, the project is in its final stage of tendering process, our Directors are of the view that our Group is likely being awarded with this potential project in 2018. Save for the projects mentioned, we have also submitted tenders for eight projects after the Track Record Period and up to the Latest Practicable Date. As described above, our Directors expect that substantial upfront costs would be incurred for such three projects and the potential projects. In preparation for such substantial upfront costs to be incurred, we intend to reserve a significant amount of the net proceeds as described above for settling such costs. For the remaining balance of the above costs after utilising such amount of the net proceeds, we plan to settle it through internally generated cash from operating activities and bank borrowings; and

- ii. approximately HK\$6.4 million or 18.7% of the net proceeds for satisfying the surety bond requirement of the project located at Yue Man Square with a contract sum of approximately HK\$63.8 million. According to the communication with the customer, we are required to procure surety bond for this project upon their notice which amounts to 10% of the contract sum, being approximately HK\$6.4 million. Our Directors confirm that based on past experience, procurement of surety bond has been required for all of this customer's projects undertaken by us, and our progress payment would be withheld if we had failed to do so. It is unlikely that the requirement of this new project would be otherwise. As the customer may refuse to certify any of our works done for this new project if we fail to procure the surety bond, we intend to reserve such amount of the net proceeds for the procurement of surety bond pursuant to such new project. Nonetheless, if such surety bond procurement is subsequently not required by this customer, though unlikely, we plan to place such amount on short-term deposits with financial institutions in Hong Kong and reserve it for fulfilling surety bond requirement of future potential projects when necessary.

2. Expanding our operation teams

We plan to reserve approximately HK\$13.6 million or 39.8% of the net proceeds for expanding our operation teams by recruiting additional full-time staff such that our Group could undertake and execute more projects simultaneously, for expanding our offices in Hong Kong to accommodate the enlarged staff, and for purchasing extra equipment to facilitate the enlarged operation scale. Our Directors believe that our staff's experience and professional skills and our manpower capacity are very important to the planning and execution of our projects.

FUTURE PLANS AND USE OF PROCEEDS

Moreover, each of our projects generally require the involvement of a number of our staff members from our design department and project management department throughout the whole projects. During the Track Record Period, we generally assigned (i) seven to 30 staff of the design department, who possess different skills in design planning, drawing and structural calculation, and (ii) three to nine staff of the project management department, who possess different levels of experience in project management and with different duties, to each of our projects depending on the scale, type of building, scope, complexity and timetable of each project and our manpower capacity.

In each design team of our project, depending on, among others, the scale and schedule of each project, we generally have (i) one senior design manager, (ii) one design engineer, (iii) one senior technical manager, (iv) one structural engineer and/or one design draftsman, (v) one to five design team heads and (vi) two to 20 designers. As at the Latest Practicable Date, the breakdown of our staff in the design department is as follows:

Role	Primary responsibilities	Number of staff
Senior design manager	Overseeing all aspects of the design work to ensure that our work would fulfil the requirements of our projects.	1
Design engineer	Checking structural calculation and design criteria. Each design engineer is generally involved in all projects.	2
Senior technical manager	Handling design and technical difficulties of the design work. Each senior technical manager is generally involved in three projects.	1
Structural engineer	Specialising in handling structural calculations for drawings that would be submitted to the Buildings Department. Each structural engineer is generally involved in five projects.	3
Draftsman	Assisting the structural engineer or designer in handling drawings for submission to the Buildings Department. Each draftsman is generally involved in one project.	1
Design team head	Supervising the design drawings work of our designers. Each design team head is generally involved in two to five projects.	6
Designers	Handling the design drawings. Each designer is generally involved in two to five projects.	35
Total		49

FUTURE PLANS AND USE OF PROCEEDS

Our senior design manager is responsible for overseeing the design work of all of our projects and is assisted by design team heads who lead and supervise the design drawing work of our designers. In order to ensure that we have sufficient leaders in the team to supervise the design work and to assist our senior design manager as well as to enhance our design capabilities, we intend to hire six additional design team heads and/or designers to handle our future and on-going projects and our preparation work for project tendering. Moreover, to further enhance the standard of our work, we will also hire an additional design engineer to ensure our design work can fulfil the structural and design criteria of the projects.

In each project management team of our project, depending on, among others, the scale and schedule of each project, we generally have (i) one project director or one senior project manager, who are our executive Directors, (ii) one project manager and/or one to two project coordinators and (iii) one to five project supervisors. As at the Latest Practicable Date, the breakdown of our staff in the project management department is as follows:

Role	Primary responsibilities	Number of staff
Project director/Senior project manager	Overseeing the overall planning, coordination and execution of all projects.	1
Project manager	Overseeing the daily operation of the projects and managing project planning, coordination and execution. Each project manager is generally involved in five projects.	2
Project coordinator	Overseeing logistics of materials and equipment and monitoring the overall work progress. Each project coordinator is generally involved in four projects.	2
Project supervisor	Supervising and monitoring the quality and progress of installation work. Each project supervisor is generally involved in one to two projects.	16
Total		<u>21</u>

Our project managers are responsible for overseeing the daily operation of the projects and managing project planning, coordination and execution and shall assist our project director and senior project manager. Currently, given that we do not have sufficient project manager to oversee the daily operation of our projects, our project director and senior project manager are involved in the daily management of the project planning, coordination and execution work. Upon Listing, our executive Directors, who are our project director and senior project manager shall devote more time on business and strategic development of Group. In order to ensure that

FUTURE PLANS AND USE OF PROCEEDS

we can have sufficient manpower to manage the daily operation work, we will hire two project managers to handle the project planning, coordination and execution work and to assist our project director and senior project manager. We will also hire three project coordinators to handle and oversee the logistics of our materials as well as to assist our project managers to monitor the overall work progress of our project so as to ensure that we will complete our work in a timely manner. Moreover, to further enhance the quality of our work, we intend to hire one additional project supervisor to monitor the quality of our installation work and to further enhance our safety and preventive measures to reduce the risk of accidents in relation to work safety.

Further, the design department and project management department are also involved in our preparation work for tendering. In some sense, our capacity to undertake projects is hence determined by the number of staff members under our employment. During the year of 2017, due to insufficient manpower capacity, we refused to submit or did not submit tender for five potential projects which are considerably suitable for our Group. With reference to our other projects and based on the industry knowledge and experience of our management, it is estimated by our management that the total value for these five potential projects is approximately HK\$394.1 million.

We believe by expanding our operation scale, we can tender for more projects, and will have the capacity to undertake and execute more projects simultaneously with less chance for us to refuse to submit tender or not to tender for potential projects because of insufficient manpower capacity. Our business development and future growth could thus be facilitated. In particular, we intend to apply:

- i. approximately HK\$10.9 million or 31.9% of the net proceeds for recruiting and paying the staff costs of up to 18 additional full-time staff, comprising (i) seven staff of the design department (being a design engineer and six design team heads and/or designers), (ii) six staff of the project management department (being two project managers, three project coordinators and a project supervisor), (iii) two staff of the contract department (being a contract manager and a project quantity surveyor), which will be our new department, and (iv) three other supporting staff (being a senior accountant, an information technology officer and a human resources officer).

Our Directors believe that the recruitment of 18 additional staff (including seven staff of the design department and six staff of the project management department) is crucial for the expansion of our operation due to the following reasons:

- (a) although four of our on-going projects with an aggregate contract sums of approximately HK\$76.5 million (the “**Four Projects**”) will be completed by February 2018, we secured three new projects with an aggregate contract sums of over HK\$195.9 million but less than HK\$215.9 million (the “**New Projects**”). Having considered the aggregate contract sums of the New Projects which are significantly more than that of the Four Projects and the scale of the New Projects are larger than that of the Four Projects, implying that more work

FUTURE PLANS AND USE OF PROCEEDS

and manpower are required to handle the New Projects, our Directors are of the view that we shall increase our workforce to handle the New Projects which are of larger scale, notwithstanding that we can assign manpower released from the Four Projects to handle the New Projects;

- (b) We expected that approximately 14 staff of the design department and six staff of the project management department will be required for each of the New Projects in average and we expect that our staff who will be released from the Four Projects will continue to handle their other on-going projects and we will assign them and the additional staff of the project management department and design department to handle the New Projects and prepare tender submissions for potential projects starting from February 2018;
- (c) we are in the process of specifications negotiations with a potential customer on a large-scale residential project with a contract sum ranged from HK\$300 million to HK\$330 million. Taken into account the scale and type of buildings of this project, our Directors estimate that we shall assign not less than 13 staff of the design department and not less than six staff of the project management department to handle the work of this project if this project is awarded to our Group. And, we have submitted tenders for other eight projects after the Track Record Period and up to the Latest Practicable Date;
- (d) having considered that the key selection criteria of our customers are track record, quality of work, design capability and project management capability in handling façade and curtain wall works, our Directors are of the view that we shall continue to maintain the high standard of our work and to increase our competitiveness in the market by enhancing our design and project management capacities effectively. Therefore, our Directors intend to hire (i) a design engineer and six design team heads and/or designers for the design department and (ii) two project managers, a project supervisor and three project coordinators for the project management department. Our Directors are also of the view that such enhanced design and project management capacities can enable us to handle potential projects which are of large-scale and other projects which might be awarded to us in 2018;
- (e) we generally involve our staff of the design department and the project management department in our preparation work for tenders which may take two to seven months before the projects are awarded to us. As we need to submit our design work for our potential customers' consideration during the tendering process, we generally involve six to ten staff of the design department to handle the design work for tendering. We believe that with the enhanced design and project management capacities, we can submit more tenders for potential projects and to increase our market share in the future;
- (f) with the increased number of staff in the project management department, we can enhance our safety and preventive measures to further reduce the risk of accidents in relation to work safety; and

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- (g) to support the expansion of our business and to facilitate the growth of our Group, we will hire new supporting staff (being a senior accountant, an information technology officer and a human resources officer) and set up a contract department with a contract manager and a project quantity surveyor, who will be responsible for, among others, reviewing our subcontracts and handling contractual claims.

The additional staff includes:

- two project managers with at least 10 years' experience, who would primarily be responsible for coordinating internal resources to facilitate project execution, monitoring our operation teams, ensuring timely delivery of our project and managing our relationship with customers and will be hired in the second and third quarters of 2018;
- one project supervisor with at least three years' experience, who would primarily be responsible for coordinating with and monitoring our subcontractors for their work, communicating with main contractors, daily site supervision and reporting to the project managers and will be hired in the third quarter of 2018;
- three project coordinators with at least three years' experience, who would primarily be responsible for reporting routine site activities and works to the project managers, coordinating between main contractors and subcontractors for daily site works and following up with building material deliveries and subsequent handling by subcontractors and will be hired in the second quarter of 2018;
- one design engineer with at least four years' experience, who would primarily be responsible for checking structural calculation and design criteria, coordinating with our senior design manager for design matters and coordinating with technical staff and will be hired in the third quarter of 2018;
- one designer in Hong Kong office with at least three years' experience and five design teams head and/or designers in Polyfair SZ office with at least two years' experience. The former would primarily be responsible for designing façade and curtain wall, assisting the design engineers in structural calculation and preparing shop drawings for Buildings Department's approval and will be hired in the second quarter of 2018, while the latter would primarily be responsible for assisting and collaborating with the Hong Kong designers regarding the shop drawings and will be hired in the second quarter of 2018;
- one contract manager with at least eight years' experience, who would primarily be responsible for reviewing subcontract documents, handling contractual claims, preparing payment applications and assessing customers' progress payments and will be hired in the second quarter of 2018;

FUTURE PLANS AND USE OF PROCEEDS

- one project quantity surveyor with at least four years' experience, who would primarily be responsible for cost planning and estimation, evaluating changes in contract matters, preparing tenders and interim and final assessment on payments for our subcontractors' work and will be hired in the second quarter of 2018; and
- three supporting staff members with relevant experience who would primarily serve the functions of accounting, technical support and handling human resources and will be hired in the second quarter of 2018.

This allocation of the net proceeds has been made taking into consideration the importance of our operation teams in executing and managing our projects, such that our business development would be determined by the scale of our operation teams to a greater extent;

- ii. approximately HK\$2.0 million or 5.9% of the net proceeds for renting, and paying the management fees for, an extra office in Hong Kong to accommodate the abovementioned additional staff, except the additional staff in Polyfair SZ office; and
- iii. approximately HK\$0.7 million or 2.0% of the net proceeds for the decoration, fixtures and furniture of the abovementioned extra office, as well as purchasing office-and design-related equipment. Particularly, approximately HK\$0.4 million will be reserved for the office decoration, and another approximately HK\$0.3 million will be reserved for the purchase of equipment and license regarding a software used by our design team.

3. General working capital of our Group

As the nature of our business is, to a certain extent, capital-intensive, and that we experience net cash outflow during some periods of our operation from time to time, we intend to reserve approximately HK\$3.0 million or 8.8% of the net proceeds as general working capital of our Group.

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION PLANS

Our implementation plans on the above use of the net proceeds are set forth below for each of the six-month periods from 1 January 2018 to 31 December 2019, which are based on our business strategies and future plans:

For the six months ending 30 June 2018

Business strategies	Implementation plans	Use of proceeds
Strengthening our financial positions to capture emerging business opportunities	<ul style="list-style-type: none"> Earmark for settling upfront costs of (i) three new projects with an aggregate contract sum of over HK\$195.9 million but less than HK\$215.9 million and (ii) one potential project with a tender sum over HK\$300 million but less than HK\$330 million as at the Latest Practicable Date 	Approximately HK\$8.6 million
	<ul style="list-style-type: none"> Earmark for satisfying the surety bond requirement of one of the new projects which amounts to approximately HK\$6.4 million 	Approximately HK\$6.4 million
Expanding our operation teams, offices and office equipment	<ul style="list-style-type: none"> Recruit and pay the staff costs of up to 18 additional full-time staff, with details described in the sub-section headed “Use of proceeds – 2. Expanding our operation teams” 	Approximately HK\$1.2 million
	<ul style="list-style-type: none"> Rent and pay the management fees of an extra office in Hong Kong 	Approximately HK\$0.4 million
	<ul style="list-style-type: none"> Decoration, fixtures and furniture of the abovementioned extra office in Hong Kong; Purchase office equipment including, among others, the license of a design software 	Approximately HK\$0.6 million

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 December 2018

Business strategies	Implementation plans	Use of proceeds
Strengthening our financial positions to capture emerging business opportunities	<ul style="list-style-type: none"> Earmark for settling upfront costs of (i) three new projects with an aggregate contract sum of over HK\$195.9 million but less than HK\$215.9 million and (ii) one potential project with a tender sum over HK\$300 million but less than HK\$330 million as at the Latest Practicable Date 	Approximately HK\$2.1 million
Expanding our operation teams, offices and office equipment	<ul style="list-style-type: none"> Pay the staff costs of the 18 additional full-time staff recruited Rental costs and management fees of the extra office rented in Hong Kong 	<p>Approximately HK\$3.4 million</p> <p>Approximately HK\$0.6 million</p>

For the six months ending 30 June 2019

Business strategies	Implementation plans	Use of proceeds
Strengthening our financial positions to capture emerging business opportunities	<ul style="list-style-type: none"> Earmark for settling upfront costs of (i) three new projects with an aggregate contract sum of over HK\$195.9 million but less than HK\$215.9 million and (ii) one potential project with a tender sum over HK\$300 million but less than HK\$330 million as at the Latest Practicable Date 	Approximately HK\$0.5 million
Expanding our operation teams, offices and office equipment	<ul style="list-style-type: none"> Pay the staff costs of the 18 additional full-time staff recruited Rental costs and management fees of the extra office rented in Hong Kong Purchase the license of a design software 	<p>Approximately HK\$3.0 million</p> <p>Approximately HK\$0.6 million</p> <p>Approximately HK\$0.1 million</p>

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 December 2019

Business strategies	Implementation plans	Use of proceeds
Expanding our operation teams, offices and office equipment	• Pay the staff costs of the 18 additional full-time staff recruited	Approximately HK\$3.1 million
	• Rental costs and management fees of the extra office rented in Hong Kong	Approximately HK\$0.6 million

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the above implementation plans:

- (i) the Share Offer will be completed in accordance with and as described in the section headed “Structure and conditions of the Share Offer” of this prospectus;
- (ii) our Group will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period, and we will be able to carry out the implementation plans without adversely affecting our operations;
- (iii) our Group will not be materially affected by any risk factor set out in the section headed “Risk factors” of this prospectus;
- (iv) our Group is able to retain our customers and suppliers;
- (v) our Group will be able to retain key staff; and
- (vi) there will be no material changes in the existing political, legal, fiscal or economic conditions, and in the bases or rates of taxation in Hong Kong and the PRC, and any other place in which any member of our Group carries on or will carry on its business.

REASONS FOR AND BENEFITS OF THE LISTING

Our Directors believe that the Listing would be crucial for our Group and could strengthen our business as follows:

- Not only could the Listing enhance our corporate profile, the net proceeds from the Share Offer could also strengthen our financial positions and capability. Particularly, as we secured three new projects with aggregate contract sum of over HK\$195.9 million but less than HK\$215.9 million and another potential project with a tender sum over HK\$300 million but less than HK\$330 million as at the Latest Practicable

FUTURE PLANS AND USE OF PROCEEDS

Date, we have to prepare significant amount of financial resources for settling the upfront costs and/or surety bond requirement of these new and potential projects. In addition, we also need to continuously finance our remaining seven projects on hand. Nonetheless, our unutilised banking facilities as at 30 November 2017 was approximately HK\$40.1 million, among which HK\$20.0 million can only be used to settle our amount due to a Director (which amounted to approximately HK\$16.4 million as at 30 November 2017) but not for our daily operations. In other words, only approximately HK\$20.1 million of unutilised banking facilities as at 30 November 2017 could be used for our daily operations. Hence, the net proceeds from the Share Offer is crucial for our operation in the near future. On top of that, surety bond requirement and upfront payments are common phenomenon faced by subcontractors in the construction industry, and if our Group is to survive and thrive in the façade and curtain wall works industry, we have to be financially capable for undertaking more projects simultaneously, so as to achieve higher level of growth and business expansion, as well as to bring better return to our Shareholders. Our Directors believe the capital raised through the Share Offer could strengthen our financial positions and capability such that our Group could achieve the abovementioned, and hence the Listing is important to our Group;

- According to Ipsos Report, the revenue of the façade and curtain wall works industry is expected to continue its rising trend from approximately HK\$5,493.4 million in 2017 to approximately HK\$6,645.4 million in 2021, at a CAGR of approximately 4.9%. The emerging business opportunities in the industry are likely driven by, among others, existing or potential Government projects such as the “Energising Kowloon East” and “Kowloon West Cultural District” development, establishment of MTR extension lines, the increase in land supply for public and private residential buildings, renovating and revitalising industrial buildings into office building and conversion of Government properties into commercial uses. Our Directors hence envisage that considerable business opportunities would emerge in the future which justifies the strategical importance of the Listing and our plan to strengthen our financial capability as described in the previous paragraph;
- During the Track Record Period, our source of financing was limited to cash generated from operations and external borrowings. While cash generated from operations alone cannot always support our operations, financing by bank borrowings may also be unfavourable to us sometimes as (i) from financial institutions’ perspective, being a group of private companies and/or a subcontractor is usually considered lacking a satisfactory amount of fixed assets to be pledged as collateral, hence bank borrowings may not be granted to us at a competitive rate; (ii) in connection with the previous point, guarantee to be provided by our Controlling Shareholders is often required when we seek for bank borrowings, which creates financial reliance by us on our Controlling Shareholders; and (iii) obtaining bank borrowings will inevitably increase our gearing ratio, which is often considered financially unhealthy when overdoing. As explained in previous paragraphs, we need significant amount of financial resources during our operations, but we cannot

FUTURE PLANS AND USE OF PROCEEDS

over rely on our current bank borrowings and/or banking facilities. Our Directors consider that the Share Offer shall be an alternative to raise funds for implementing our future plans which (i) does not incur interest burden and would lower our gearing ratio; and (ii) does not cause financial reliance by us on our Controlling Shareholders;

- It is reasonable to expect that customers in the construction industry would be more willing to establish business relationship with a listed company because of its financial capability, reputation, public financial disclosure and general regulatory supervision by relevant regulatory bodies associated with being a listed company. In particular, when it comes to large-scale projects in which the subcontractors are normally expected by the customers to have strong financial capability to carry out the projects, a listing status could provide the customers with confidence on a candidate's financial positions. Our Directors hence believe the Listing could attract more potential customers to establish business relationships with our Group, and could enable us to secure more projects in the future. Furthermore, our Directors believe that our internal control and corporate governance practices could be further enhanced following the Listing, which will in turn increase customers' and suppliers' confidence in our Group; and
- The adoption of equity-based incentive programmes (such as share option schemes) would be made available to our Group following the Listing. Our Directors believe such incentive programmes, when offered to our employees by us, could motivate our employees as the programmes are directly correlated to their performance in our business. Our employees would also be aligned with the objective of creating value for our Shareholders under such programmes. Our Directors further believe this could improve our ability to recruit, motivate and retain key management personnel who are important to our business.

FUTURE PLANS AND USE OF PROCEEDS

For illustrative purpose, the implementation plans on the net proceeds from 1 January 2018 to 31 December 2019 are summarised as follows:

	Six months ending					
	30 June 2018	31 December 2018	30 June 2019	31 December 2019	Total	Percentage
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	%
Strengthening our financial positions to capture emerging business opportunities						
(i) settling upfront costs of three new projects and one potential project	8.6	2.1	0.5	–	11.2	32.7
(ii) satisfying the surety bond requirement of one of the abovementioned new projects	6.4	–	–	–	6.4	18.7
Expanding our operation teams, offices and equipment	2.2	4.0	3.7	3.7	13.6	39.8
General working capital	1.5	0.4	0.8	0.3	3.0	8.8
Total	18.7	6.5	5.0	4.0	34.2	100

If the Offer Price is set at the high- or low-end of the indicative Offer Price range, being HK\$0.25 and HK\$0.35 per Offer Share, respectively, the net proceeds from the Share Offer will decrease or increase by approximately HK\$9.1 million and HK\$9.1 million, respectively, and our Directors intend to adjust the above allocation of the net proceeds on a pro-rata basis.

Should there be any material change in the intended use of the net proceeds from the Share Offer as described above, our Group will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Share Offer are not immediately applied for the above purposes, our Directors intend that such net proceeds will be placed on short-term deposits with financial institutions in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors. The Board is responsible for, and has general powers on, the business, management and conduct of our Group.

The following table sets forth certain information regarding the Directors:

Name	Age	Present position(s) in our Company	Date of appointment as Director of our Company	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Mr. Chow Mo Lam	64	Executive Director and the chairman of the Board	25 May 2017	9 February 2006	Overall business strategy, annual budget proposals, major business decisions of our Group with a focus on our finance, and a member of the Remuneration Committee	Nil
Mr. Yu Lap On Stephen	60	Executive Director and the chief executive officer	25 May 2017	1 April 2009	Overall business strategy, annual budget proposals, major business decisions of our Group with a focus on our operation and project management, the chief executive officer of our Group and a member of the Remuneration Committee	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position(s) in our Company	Date of appointment as Director of our Company	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management
Mr. Wong Kam Man	58	Executive Director and senior project manager	9 August 2017	10 August 2012	In charge of project management in terms of construction programme, supervision of our subcontractors' work and implementation of quality assurance and/or quality control procedures in compliance with contract specifications	Nil
Independent non-executive Directors						
Mr. Ng Ka Lok	43	Independent non-executive Director	25 January 2018	25 January 2018	Provide independent advice to the Board, the chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee	Nil
Dr. Lung Cheuk Wah	67	Independent non-executive Director	25 January 2018	25 January 2018	Provide independent advice to the Board, the chairman of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position(s) in our Company	Date of appointment as Director of our Company	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management
Mr. Wong Chi Yung	34	Independent non-executive Director	25 January 2018	25 January 2018	Provide independent advice to the Board, the chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee	Nil

The following table sets forth certain information concerning other senior management members of our Group:

Name	Age	Present position(s) in our Group	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management
Mr. Wong Chi Kan Johnny	51	Senior design manager	1 March 2006	In charge of general technical and engineering work; preparing conceptual designs of tender; and ensuring that the use of building materials complies with the contracts and the Buildings Department's requirements	Nil
Mr. Chow Heung Wing	48	Project manager	5 October 2015	Planning, budgeting, and managing our projects; monitoring designs, work progress; and quality	Nil
Mr. Ning Gong	30	Project engineer	9 March 2017	Drafting structural designs of façade and curtain wall, preparing submission for the Buildings Department's approval	Nil
Mr. Wong Kam Yin	40	Financial controller	3 April 2017	Financial reporting, accounting operations and financial control matters of our Group; coordinating and directing the preparation of our budget and financial forecasts	Nil

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Chow Mo Lam (周武林), aged 64, is one of the Controlling Shareholders, an executive Director, the chairman of the Board and a member of the Remuneration Committee. Mr. Chow is one of the founding members of our Group and joined our Group in February 2006. He is primarily responsible for the overall business strategy, annual budget proposals and major business decisions of our Group with a focus on our finance. Mr. Chow was appointed as a Director on 25 May 2017, appointed as the chairman of the Board on 9 August 2017 and re-designated as an executive Director on 25 January 2018. As at the Latest Practicable Date, Mr. Chow is interested in 83.0% of the issued share capital of C.N.Y. Holdings, which is a Controlling Shareholder.

Mr. Chow obtained a Master of Business Administration from the Henley Management College (which is, after merging with another school, currently known as the Henley Business School) in the United Kingdom through distance learning in 1995 and a Master of Laws in PRC Law from the Open University of Hong Kong in 2005. Mr. Chow is also a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accounts from the United Kingdom. Mr. Chow has around 20 years of experience in the construction industry, and has been a founder, an investor and a manager of curtain wall companies in Hong Kong and the PRC. He has been a director of CMD Aluminium Industry (Shenzhen) Co., Ltd (招發金屬幕牆(深圳)有限公司 (“**CMD (SZ)**”), which is principally engaged in the manufacturing of curtain wall in the PRC and wholesale of construction materials, glass and aluminium products in the PRC, Hong Kong and Macau, since February 2003, and gained experience in the curtain wall industry for over 14 years therein. In February 2006, Mr. Chow co-founded Polyfair HK with other founding members, aiming to capture emerging business opportunities within the construction industry in Hong Kong.

Mr. Chow is a director of the following companies:

Name of Company	Nature of Business	Jurisdiction	Current or past business relationship with Polyfair HK
Polyfair Construction & Engineering (International) Limited	Inactive	Hong Kong	Nil
Polyfair Chemical Material Limited	Inactive	Hong Kong	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name of Company	Nature of Business	Jurisdiction	Current or past business relationship with Polyfair HK
CMD Aluminium Industry (Shenzhen) Co., Ltd (招發金屬幕牆(深圳)有限公司)	Manufacturing of curtain wall and wholesale of construction materials, glass and aluminium products in the PRC, Hong Kong and Macau	The PRC	Had been in business relationship with Polyfair HK approximately six years ago. Such relationship no longer exists now.
CMD Metal Industry (H.K.) Limited	Holding company	Hong Kong	Nil
Keen Elegant Limited	Property holding	Hong Kong	Nil

Mr. Chow was a director of the following company which was incorporated in Hong Kong and was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance which provides that the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies. The relevant details are as follows:

Name of company	Nature of business	Date of struck off
Poly Indiamond Company Limited	Never commenced business	27 February 2004

Mr. Chow is a proprietor of Albert Chow C.P.A., a certified public accounting firm incorporated in Hong Kong which, save and except for providing company secretarial service to Polyfair HK since our establishment up to 1 September 2017, does not have any business relationship with Polyfair HK.

Mr. Chow did not hold any directorship in any listed company in Hong Kong for the three years immediately preceding the Latest Practicable Date.

Mr. Yu Lap On Stephen (余立安), aged 60, is one of the Controlling Shareholders, an executive Director, the chief executive officer of our Group and a member of the Remuneration Committee. Mr. Yu joined our Group as an executive officer of Polyfair HK in April 2009 and was appointed as a director of Polyfair HK in February 2010. Mr. Yu is primarily responsible for the overall business strategy, annual budget proposals, and major business decisions of our

DIRECTORS AND SENIOR MANAGEMENT

Group with a focus on our operation and project management. Mr. Yu was appointed as a Director on 25 May 2017 and re-designated as an executive Director on 25 January 2018. As at the Latest Practicable Date, Mr. Yu is interested in 17.0% of the issued share capital of C.N.Y. Holdings, which is a Controlling Shareholder.

Mr. Yu has over 35 years of experience in façade and curtain wall, aluminium window and entrance door construction, and project and enterprise management in Hong Kong. Prior to joining our Group, Mr. Yu co-founded Condo Construction & Engineering Company Limited (subsequently known as Condo Curtain Wall Company Limited) and Condo Engineering (China) Limited in 1983 and 1986, which specialised in the design, supply and installation of aluminium windows, curtain walls, glass walls and metal claddings in Hong Kong, Macau and the PRC, and worked therein until December 2002. During his service in these two companies, Mr. Yu participated in business operations and was responsible for overseeing the design, supply, installation and quality control matter of projects.

Mr. Yu was a director of the abovementioned two companies, both of which were incorporated in Hong Kong with limited liability and were wound up with details set out below:

Company name	Nature of business when wound up	Nature of proceeding	Date of winding up order
Condo Curtain Wall Company Limited ("CCW")	Construction and engineering	Compulsory winding up	8 September 2003
Condo Engineering (China) Limited ("CEC")	Construction and engineering	Compulsory winding up	8 September 2003

Each of CCW and CEC was ordered by the High Court of Hong Kong to be wound up under the provisions of the Predecessor Companies Ordinance on 8 September 2003 upon the petitions filed on 2 December 2002 and 20 January 2003, respectively. Such petitions were made by certain trade creditors on the ground that they failed to settle their trade debts amounting to approximately HK\$9 million, together with interest and other costs. The above companies were not yet dissolved as at the Latest Practicable Date.

As confirmed by Mr. Yu, Mr. Yu tendered his resignation as a director of each of CCW and CEC on 13 December 2002 and there was no wrongful act on his part leading to such court orders and he is not aware of any actual or potential claim that has been or will be made against him as a result of such court orders. None of the above wound-up companies are related to our Group.

Mr. Yu was adjudged bankrupt by virtue of a bankruptcy order made by the High Court of Hong Kong on 9 June 2004 as a result of the bankruptcy petitions made by the ultimate holding company of CCW and CEC (the "**Creditor**") against him on 15 April 2004 for his

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default in the performance of his obligations under a deed of counter-indemnity (the “**Counter-indemnity**”) provided in favour of the Creditor to indemnify the Creditor against all losses as a result of the enforcement of guarantees provided by the Creditor in favour of certain banks to secure borrowings by CCW and/or the holding company of CEC and/or their respective subsidiaries. By the expiration of four years since his bankruptcy order, Mr. Yu was discharged from bankruptcy pursuant to section 30A of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) on 9 June 2008.

Our Directors consider that Mr. Yu has the requisite character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as an executive Director for the following reasons:

- (a) Mr. Yu was discharged from bankruptcy in June 2008 and there is no restriction or limitation on Mr. Yu’s capacity to act as directors of private or public companies in Hong Kong and the bankruptcy order ceased to have any effect on Mr. Yu;
- (b) the bankruptcy order against Mr. Yu was due to the enforcement of the Counter-indemnity, which did not involve any fraudulent act or misconduct involving dishonesty of Mr. Yu, and did not raise question as to Mr. Yu’s integrity;
- (c) the bankruptcy order was made against Mr. Yu over 10 years ago;
- (d) Mr. Yu joined our Group in April 2009 and has over 35 years of experience in the industry. He has demonstrated his competence and abilities as a director of Polyfair HK throughout the years of our operation. Under the leadership and management of Mr. Yu, our Group has achieved growth in our business and has been able to secure projects from reputable developers and main contractors in Hong Kong; and
- (e) the Sole Sponsor, together with its legal advisers, conducted interviews with our major customers and suppliers, during which no adverse comments or opinions as to the character, integrity and honesty of Mr. Yu was received from them and the ability of Mr. Yu in managing our Group’s business was praised and recognised by our major customers and suppliers.

Having considered the above and that Mr. Yu confirmed he was not involved in any legal proceeding or any other claim as at the Latest Practicable Date, our Directors are of the view that Mr. Yu is suitable to act as a Director pursuant to the GEM Listing Rules. Furthermore, having considered the views of our Directors, in particular that the bankruptcy order against Mr. Yu was not due to any fraudulent act or misconduct involving dishonesty of Mr. Yu, the Sole Sponsor is of the view that nothing has come to its attention which would lead it to believe that Mr. Yu does not meet the suitability requirements under Rules 5.01 and 5.02 of the GEM Listing Rules.

Mr. Yu did not hold any directorship in any listed company in Hong Kong for the three years immediately preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Kam Man (黃錦文), aged 58, is an executive Director and a senior project manager of our Group. Mr. Wong joined our Group as a senior project manager of Polyfair HK on 10 August 2012. Mr. Wong is primarily responsible for project management in terms of construction programme, supervision of our subcontractors' work and implementation of quality assurance and/or quality control procedures in compliance with contract specifications. Mr. Wong was appointed as a Director on 9 August 2017 and re-designated as an executive Director on 25 January 2018.

Mr. Wong is a holder of Certificate in Civil Engineering of the Hong Kong Polytechnic University. Mr. Wong has over 35 years of experience in aluminium and metal work construction in Hong Kong. Mr. Wong worked for various construction and engineering companies in Hong Kong including Wah Tung Metal Engineering Co., PMB Cyberwall Ltd. and Chevalier (Aluminium Engineering) Limited as a site supervisor, project manager or senior project manager. He participated in numerous construction projects and he was responsible for, among others, project planning, budgeting and management, design monitoring, installation supervision, quality control and coordinating with main contractors. Prior to joining our Group on 10 August 2012, Mr. Wong worked as a senior project manager at Wah Tung Metal Engineering Co. from February 2010 to July 2012.

Mr. Wong did not hold any directorship in any listed company in Hong Kong for the three years immediately preceding the Latest Practicable Date.

Independent non-executive Directors

Mr. Ng Ka Lok (吳家樂), aged 43, was appointed as our independent non-executive Director on 25 January 2018. Mr. Ng also serves as the chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee. Mr. Ng received tertiary education in Australia where he obtained a degree of Master of Finance from Curtin University of Technology in September 2006 and a degree of Master of Business Administration from The University of Adelaide in July 2007. He is currently a practicing member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia, and has been a member of The Society of Chinese Accountants and Auditors since June 2014. He has over 18 years of auditing and accounting experience.

Mr. Ng is currently a partner of the audit, assurance and risk advisory division of ZHONGHUI ANDA CPA Limited, and previously worked at the Treasury of the Government, Town Sky International Limited and KLL Associates CPA Limited. Mr. Ng was an independent non-executive director of Season Pacific Holdings Limited (stock code: 8127) from September 2015 to May 2017. Save as disclosed above, Mr. Ng did not hold any directorship in any listed company in Hong Kong for the three years immediately preceding the Latest Practicable Date.

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Dr. Lung Cheuk Wah (龍卓華), aged 67, was appointed as our independent non-executive Director on 25 January 2018. Dr. Lung also serves as the chairman of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee. He obtained a degree of Master of Business Administration from the University of Macau (formerly known as the University of East Asia, Macau) in February 1988, and a degree of Doctor of Philosophy in Business Administration from the Tarlac State University in the Philippines through distance learning in November 2012. He has been a fellow of The Institute of Chartered Secretaries and Administrators, as well as The Hong Kong Institute of Chartered Secretaries since 2006. He has also been an associate of The Taxation Institute of Hong Kong since 1996. Dr. Lung has over 29 years of experience in accounting and finance, and has extensive experience in delivering tertiary education in universities.

Dr. Lung worked as a lecturer at the School of Continuing and Professional Studies of the Chinese University of Hong Kong from 1996 to 2017, and is an assistant professor at the City University of Macau since 2013. He was also an independent non-executive director of eprint Group Limited (stock code: 1884) from November 2013 to August 2016. Save as disclosed above, Dr. Lung did not hold any directorship in any listed company in Hong Kong for the three years immediately preceding the Latest Practicable Date.

Mr. Wong Chi Yung (王志勇), aged 34, was appointed as our independent non-executive Director on 25 January 2018. Mr. Wong also serves as the chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee. He obtained a degree of Bachelor of Business Administration in Finance and Management from The Hong Kong University of Science and Technology in 2005. He is currently a licensed representative under the SFO to carry out Type 6 regulated activity (advising on corporate finance). Mr. Wong has extensive experience in accounting and corporate finance.

Mr. Wong was appointed as an executive director of China Information Technology Development Limited (stock code: 8178) in April 2015 and re-designated as a non-executive director in July 2016. He currently remains as a non-executive director of China Information Technology Development Limited and is the vice president of INCU Corporate Finance Limited. He was a non-executive director of China Oil Gangran Energy Group Holdings Limited (formerly known as Fairson Holdings Limited) (stock code: 8132) from June 2011 to December 2013, and also worked at SMI Management (HK) Limited, SMI Corporation Limited and Ernst & Young. Save as disclosed above, Mr. Wong did not hold any directorship in any listed company in Hong Kong for the three years immediately preceding the Latest Practicable Date.

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Mr. Wong Chi Kan Johnny (黃志勤), aged 51, is a senior design manager of our Group. He is primarily responsible for general technical and engineering work, preparing conceptual designs of tender and ensuring that the use of building materials complies with the contracts and the Buildings Department's requirements. Mr. Wong Chi Kan Johnny is a holder of Higher Certificate in Civil Engineering of the Hong Kong Polytechnic University. He has over 28 years of experience in the construction and engineering industry in Hong Kong. He joined our Group on 1 March 2006 as a senior design manager.

Mr. Wong Chi Kan Johnny has worked in various construction and engineering companies in Hong Kong since February 1989 as an assistant technical manager and later as a senior design engineer. Prior to joining our Group, he worked in Nuclear Construction and Engineering Co., Ltd. from January 2003 to February 2006 where he was responsible for engineering design, and his last position held was senior design engineer. Before that, he was employed by Condo Curtain Wall Co., Ltd. as an assistant technical manager from February 1989 to January 2003.

Mr. Wong Chi Kan did not hold any directorship in any listed company in Hong Kong for the three years immediately preceding the Latest Practicable Date.

Mr. Chow Heung Wing (周向榮), aged 48, is the project manager of our Group. He is primarily responsible for planning, budgeting, and managing our projects, and monitoring designs, work progress and quality. He has approximately 20 years of experience in the construction and engineering industry in Hong Kong. Mr. Chow Heung Wing joined our Group on 5 October 2015 as a project manager.

Mr. Chow Heung Wing has worked in various construction and engineering companies in Hong Kong since 1986 as a site supervisor and a project manager. Prior to joining our Group, he worked in Empire (HK) Engineering Co., Ltd. from June 2014 to June 2015 where he was responsible for assisting the project managers on project management, and his last position held was assistant project manager. Before that, he worked for Far East Aluminium Works Company Limited as a senior site supervisor between December 2011 and June 2014, responsible for assisting the project managers to supervise site installation works.

Mr. Chow Heung Wing did not hold any directorship in any listed company in Hong Kong for the three years immediately preceding the Latest Practicable Date.

Mr. Ning Gong (甯鞏), aged 30, is the project engineer of our Group. He is primarily responsible for drafting structural designs of façade and curtain wall, and preparing submission for the Buildings Department's approval. He obtained a degree of Bachelor of Engineering in Harbour, Waterway and Coastal Engineering from the Shanghai Maritime University in the PRC in 2010, and further obtained a degree of Master of Science in Civil Engineering from the Hong Kong Polytechnic University in 2011. Mr. Ning has approximately six years of experience in the construction and engineering industry in Hong Kong. He joined our Group on 9 March 2017 as a project engineer.

Mr. Ning has worked in various construction and engineering companies in Hong Kong since October 2011 as an assistant engineer and as a project engineer. Prior to joining our

DIRECTORS AND SENIOR MANAGEMENT

Group, he worked in Chun Sing Engineering Co., Ltd. from August 2014 to February 2017. His main duties during this employment were to, among others, coordinate with clients and structural/geotechnical consultants, conduct structural research, design foundation system, develop construction methods and interpret and review design work. His last position held was project engineer.

Mr. Ning did not hold any directorship in any listed company in Hong Kong for the three years immediately preceding the Latest Practicable Date.

Mr. Wong Kam Yin (王錦賢), aged 40, is the financial controller of our Group. He is primarily responsible for financial reporting, accounting operations and financial control matters of our Group and coordinating and directing the preparation of our budget and financial forecasts. He obtained a degree of Bachelor of Business Administration in Accountancy from the City University of Hong Kong in 2001. He is also a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Wong Kam Yin has approximately six years of experience in in-house financial management. He worked for InterContinental Hong Kong as a senior finance and business support manager from April 2016 to March 2017 before joining our Group on 3 April 2017 as a financial controller. His main responsibilities in InterContinental Hong Kong were to, among others, lead a few teams of accounting staff, review monthly management packages, prepare analytical review for top management decision-making, and prepare monthly operating results. Prior to that, he worked as manager, client accounting in the client accounting department of Brookfield Global Relocation Services Hong Kong Limited from July 2013 to March 2016 where he primarily served the function of overseeing cash flow planning, general ledger, billing and settlement with other accounting matters.

Mr. Wong Kam Yin did not hold any directorship in any listed company in Hong Kong for the three years immediately preceding the Latest Practicable Date.

COMPANY SECRETARY

Mr. Wong Kam Yin, our financial controller, is the company secretary of our Company under the GEM Listing Rules.

AUTHORISED REPRESENTATIVES

Mr. Chow, our executive Director and chairman of the Board, and Mr. Yu, our executive Director, are the authorised representatives of our Company under the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Chow is the compliance officer of our Company under the GEM Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, our Group will

DIRECTORS AND SENIOR MANAGEMENT

comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the associated GEM Listing Rules.

COMPLIANCE ADVISER

Our Company has appointed Sunfund Capital Limited as the compliance adviser of our Company pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Group must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (iii) where our Group proposes to use the proceeds of the Public Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Group complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year after the Listing, or until the agreement is terminated, whichever is earlier.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 25 January 2018 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. The Audit Committee currently consists of three members, namely Dr. Lung Cheuk Wah, Mr. Ng Ka Lok and Mr. Wong Chi Yung. The chairman of our Audit Committee is Dr. Lung Cheuk Wah.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

Our Company established the Nomination Committee on 25 January 2018 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee currently consists of three members, namely Mr. Wong Chi Yung, Dr. Lung Cheuk Wah and Mr. Ng Ka Lok. The chairman of the Nomination Committee is Mr. Wong Chi Yung.

Remuneration Committee

Our Company established the Remuneration Committee on 25 January 2018 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The Remuneration Committee currently consists of five members, namely Mr. Ng Ka Lok, Mr. Chow, Mr. Yu, Dr. Lung Cheuk Wah and Mr. Wong Chi Yung. The chairman of the Remuneration Committee is Mr. Ng Ka Lok.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, the aggregate remuneration, including fees, salaries and allowances, discretionary bonus and retirement benefit schemes contributions, paid to our Directors was approximately HK\$3.1 million, HK\$3.5 million and HK\$1.4 million, respectively.

The aggregate remuneration, including fees, salaries and allowances, discretionary bonus and retirement benefit schemes contributions, paid to our Company's five highest paid individuals (excluding our Directors amongst the five highest paid individuals) during the Track Record Period was approximately HK\$1.6 million, HK\$1.5 million and HK\$0.5 million, respectively.

During the Track Record Period, no emoluments were paid by our Group to the Directors or the above highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office as a director or management of any members of our Group. There was no arrangement under which a Director waived or agreed to waive any remuneration during the Track Record Period. Save as disclosed above, no other payments have been made or are payable in respect of each of the two years ended 31 March 2017 and the four months ended 31 July 2017 by our Group to our Directors.

DIRECTORS AND SENIOR MANAGEMENT

Under the arrangement currently proposed, conditional upon the Listing, the aggregate annual remuneration (excluding payment of any discretionary benefits or bonuses or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2018 is estimated to be approximately HK\$7.6 million.

REMUNERATION POLICY

Our executive Directors, our non-executive Directors, our independent non-executive Directors and our senior management receive compensation in the form of director fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Directors and our senior management, as well as the performance of our Group. Our Group also reimburses our Directors and our senior management for expenses which are necessarily and reasonably incurred for provision of services to our Group or executing their functions in relation to the operations of our Group. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, amongst other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of our Directors and performance of our Group.

After the Listing, the Remuneration Committee of our Company will review and determine the remuneration and compensation packages of our Directors with reference to their experience, responsibilities, workload, time devoted to our Group and performance of our Group. Our Directors may also be offered options under the Share Option Scheme.

DIRECTORS' COMPETING INTERESTS

None of our Directors and their respective close associates are interested in any business which competes or is likely to compete with that of our Group.

EMPLOYEES

For details of the employees of our Group, including staff remuneration policy provided by our Group, please refer to the section headed “Business – Employees” of this prospectus.

SHARE CAPITAL

The table as shown below assumes that the Share Offer and the Capitalisation Issue has become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme.

The authorised and issued share capital of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

		Nominal value <i>HK\$</i>
<i>Authorised share capital</i>		
5,000,000,000	Shares	50,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
200	Shares in issue as at the date of this prospectus	2
599,999,800	Shares to be issued upon completion of the Capitalisation Issue	5,999,998
180,000,000	New Shares to be allotted and issued pursuant to the Placing	1,800,000
20,000,000	New Shares to be allotted and issued pursuant to the Public Offer	200,000
<u>800,000,000</u>	Shares in total	<u>8,000,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the 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).

SHARE CAPITAL

RANKING

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

CIRCUMSTANCES UNDER WHICH GENERAL MEETING OF OUR COMPANY ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital, (ii) consolidate and divide its capital into Shares of larger amount, (iii) divide its Shares into several classes, (iv) subdivide its Shares into Shares of smaller amount, and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce the share capital or capital redemption reserve by our Shareholders passing a special resolution. For further details, please refer to the paragraph headed “2. Articles of association – (a) Shares – (iii) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For further details, please refer to the paragraph headed “2. Articles of association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted Share Option Scheme, the principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares with an aggregate number of Shares of not more than the sum of:

- (a) 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue; and
- (b) the aggregate number of the Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

SHARE CAPITAL

Our Directors may, in addition to the Shares which they are authorised to issue under the general mandate, allot, issue and deal in the Shares pursuant to a rights issue, scrip dividends or similar arrangements or options granted or to be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the option which may be granted under the Share Option Scheme. This general mandate will remain in effect until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which our Company's next annual general meeting is required to be held by the Articles or any applicable law of the Cayman Islands;
- (iii) the time when such mandate is revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever occurs the earliest.

For further information of this general mandate, please refer to the paragraph headed "A. Further Information about Our Company" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the section headed "Structure and Conditions of the Share Offer" of this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the number of the issued Shares immediately following completion of the Share Offer and the Capitalisation Issue.

SUBSTANTIAL SHAREHOLDERS AND SIGNIFICANT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account our Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), the following persons/entities will have an interest or a short position in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name of Shareholders	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of shareholding
C.N.Y. Holdings (<i>Note 1</i>)	Beneficial owner	600,000,000	75%
Mr. Chow (<i>Note 1</i>)	Interest in controlled corporation	600,000,000	75%
Ms. Hau Pak Sui (<i>Note 2</i>)	Interest of spouse	600,000,000	75%

Notes:

1. C.N.Y. Holdings is owned as to approximately 83% by Mr. Chow and 17% by Mr. Yu.
2. Ms. Hau Pak Sui is the spouse of Mr. Chow and is deemed to be interested in all the Shares in which Mr. Chow is interested under Part XV of the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

SIGNIFICANT SHAREHOLDERS

So far as our Directors are aware, apart from the persons disclosed under the section headed “Relationship with our Controlling Shareholders” of this prospectus and the paragraph headed “Substantial Shareholders” above, no persons individually and/or collectively will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), be directly or indirectly interested in 5% or more of the voting power at the general meetings of our Company, and is accordingly regarded as a Significant Shareholder upon the Listing under the GEM Listing Rules.

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You should read this section in conjunction with our Group's historical financial information, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this prospectus. The Accountants' Report has 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 of future events and financial performance. These statements are based on assumptions and analyses 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 depends on a number of risks and uncertainties over which our Group does not have control. For further information, please refer to the section headed "Risk factors" of this prospectus.

OVERVIEW

Our Group is a subcontractor that provides façade and curtain wall works solutions which are customised to meet the technical specifications and performance requirements of our customers. The façade and curtain wall works solutions provided by our Group generally include both design and project management services, i.e. developing designs, conducting structural calculation and preparing shop drawings, sourcing and procuring building materials, arranging for installation works, on-site project management and post-project completion services. We engage subcontractors to perform the installation work from time to time. Prior to the establishment of our in-house design department in March 2017, we mainly provided project management services and engaged subcontractor to perform the design work under the supervision of our in-house designers and subcontracted all installation work of our projects during the Track Record Period. After we established our in-house design department in March 2017, we handle the design work of all our projects. We continue to provide project management services and only subcontract the installation works. Our façade and curtain wall works solutions are mainly applied to commercial buildings and residential buildings. Since our establishment in 2006, we have undertaken various projects, including a project for a large-scale residential complex namely the Victoria Skye in the Kai Tak district. Our customers include well-known developers and main contractors including Ching Lee Engineering Limited. During the Track Record Period, all our projects were obtained from private sector customers.

During the Track Record Period, our revenue was principally derived from our projects in Hong Kong. For the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017, our Group recorded revenue of approximately HK\$172.0 million, HK\$109.6 million and HK\$58.1 million, respectively. Our gross profit was approximately HK\$25.0 million, HK\$19.6 million and HK\$8.0 million with gross profit margin of approximately 14.5%, 17.8% and 13.7% for the each of the two year ended 31 March 2017 and the four months ended 31 July 2017.

As at the Latest Practicable Date, we have nine projects in progress with a total original contract sum of approximately HK\$455.4 million and out of which a total revenue of approximately HK\$118.4 million was recognised during the Track Record Period.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATION AND FINANCIAL CONDITIONS

Our financial conditions and results of operation have been and will continue to be affected by a number of key factors, including those set out below and in the section headed “Risk factors” of this prospectus.

Availability of construction projects in Hong Kong

Our Group’s revenue is generated from our design and project management services for façade and curtain wall works in Hong Kong. The market demand for our design and project management services may be affected by various factors, including but not limited to the general economy in Hong Kong, government policies on land supply and property development, and the amount of investment in the construction of new commercial and residential buildings, etc. Unfavourable changes in these factors may result in a significant decrease in the number of construction projects available in Hong Kong.

There is no assurance that the number of construction projects in Hong Kong will not decrease in the future. In the event that the market demand of our design and project management services decreases as a result of the reduction in the number of construction projects in Hong Kong, our business, financial condition and results of operation may be adversely affected.

The non-recurrent nature of our projects

Our projects are generally awarded by way of tender and we maintain close and stable relationship with our major customers. However, due to the business nature, our services are provided on a project-by-project and non-recurring basis, and we do not have any long-term commitment with our customers. As at the Latest Practicable Date, we had nine projects in progress and the last expected completion time of our projects on hand is in September 2019. If we do not receive tender invitations for new projects or we are unable to secure new contracts during the tendering process, our revenue may be adversely affected. Our future revenue, profit and growth hence depend on our ability to continue securing new projects from existing or new customers.

Pricing of our projects

We generally set our tender price based on our estimated costs to be incurred plus a certain mark-up margin, which are determined by our senior management on a case-by-case basis after considering various factors such as (i) scope of work; (ii) complexity; (iii) scale of the project; (iv) type of buildings; (v) availability of our manpower and resources; (vi) material costs and subcontracting fees; (vii) the completion time requested by customers and (viii) the prevailing market conditions. We compete with our competitors by offering competitive price quotations together with quality services to our customers. However, once the price is fixed, we may have to be responsible for the cost overruns due to unforeseen circumstances and in the event of unexpected delay in our projects and we are unable to reallocate our resources in an efficient manner, our profitability would be adversely affected.

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Building material costs and subcontracting charges

Our cost of services mainly includes building material costs and subcontracting charges which accounted for significant portion of our total cost of services of each year/period in the Track Record Period. Our Group's building material costs and subcontracting charges in total amounted to approximately HK\$129.8 million, HK\$68.2 million and HK\$39.8 million and accounted for approximately 88.2%, 75.7% and 79.5% of our total cost of services for each of the two year ended 31 March 2017 and the four months ended 31 July 2017. Although we set our tender price based on our estimated costs to be incurred plus a certain mark-up margin, the costs of building materials and subcontracting works may fluctuate after we have secured our projects and may deviate from our estimated costs. Should there be any significant increase in the building materials costs and subcontracting charges which are out of control and cannot be passed on our customers, our profitability will be adversely affected.

Financial resources required to undertake projects

The scale and total number of projects that we are able to undertake in particular time depend on the amount of our Group's financial resources available. Generally, we submit payment application to main contractors regularly for construction works performed. For each submission, the payment application will then be submitted to the main contractor, who will then pass the payment application to the quantity surveyor assigned by the customer for inspection. If such quantity surveyor is satisfied with the content of the payment application, the quantity surveyor will recommend the architect to issue payment certificate to the customer. A payment from the customer will then be made to the main contractor, followed by the payment made to our Group from the main contractor. On the other hand, our Group is required to incur design costs, purchase building materials and pay for upfront expenditures to our suppliers and incur upfront costs in the planning stage prior to receiving progress payments from our customers. There are time lags (especially the period between the commencement of the projects and our Group receiving first progress payments from our customers generally ranges from approximately four to 10 months) between incurring costs for design and making payment to our building material suppliers and subcontractors and receiving progress payment from our customers. For some projects, provision of surety bonds is required upon undertaking the projects, which may take a substantial amount of our Group's financial resources. Our Group recorded gearing ratio of 246.7%, 249.6% and 378.0% as at 31 March 2016 and 2017 and 31 July 2017 respectively, and our Group may face difficulties in refinancing. Therefore, the availability of our financial resources is one of the key factors that affects our ability to undertake projects.

BASIS OF PREPARATION AND PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 May 2017 and became the ultimate holding company of our Group as a result of the Reorganisation. Please refer to the section headed "History, reorganisation and corporate structure – Reorganisation" of this prospectus for details.

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Our financial information during the Track Record Period set out in the Accountants' Report in Appendix I to this prospectus has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. The basis of preparation of our financial information is set out in note 2 "Basis of Preparation and Presentation of Historical Financial Information" of the Accountants' Report in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies, which are relevant for the discussion and analysis of our financial conditions and results of operation as included in this prospectus, are set forth in details in note 4 to the Accountants' Report set out in Appendix I to this prospectus.

In the application of our accounting policies, the followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue recognition

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to our Group and when specific criteria have been met for each of our activities, as described below.

Revenue from our design and project management service contracts is recognised based on the percentage of completion of the individual project. Revenue from contract works for variation orders is recognised to the extent that the amount can be measured reliably and it is probable that we will receive the payments from our customers.

Construction contracts

Revenue from construction contract is recognised under the percentage of completion method which requires estimation made by the management. The percentage of completion is determined by the aggregated cost for the individual project incurred at the end of the reporting period compared with the estimated budgeted cost. Because of the nature of the activities undertaken in construction businesses, the management reviews and revises the estimates of contract costs in the budget prepared for each contract as the project progresses. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Amounts receivable on contract work of projects represent projects in progress where the costs incurred plus recognised profits less recognised losses exceed progress billings. Conversely, if our progress billings exceed the costs incurred plus recognised profits less recognised losses, amounts payable on contract work will be recognised as current liabilities of our Group. Costs incurred during the period in connection with future activity of a contract are recognised as amounts due from customers of contract works provided it is probable that these costs will be recovered. The costs comprise building material costs, subcontracting charges, staff costs and other direct costs.

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In practice, our Group submits payment applications to the main contractor based on our work done regularly in accordance with the terms of contract. The percentage of completion of a contract is determined according to the construction works certified by the architect assigned by the customers. Progress billings will then take place when the construction works performed are certified. We apply for customers' certification for the construction works performed periodically and the timing of customers' certification may vary depending on the nature and scale of our job and the internal procedures of the relevant customers. Amounts receivable on contract work will be presented as an asset where progress certification of our works performed does not take place as at our financial reporting period end.

Allowance for progress payments receivable

Our Group makes impairment loss for doubtful debts based on an assessment of the recoverability of progress payment receivables. Provisions are applied to progress payment receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the creditworthiness and the past collection history of each customer. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed. During the Track Record Period, our Group had not made any such allowance for doubtful debt.

Warranty provision

We generally provide warranty to customers of up to 15 years from the date of project completion or after the end of defects liability period. If there are any defects discovered after completion of projects on works performed by our subcontractors, the relevant subcontractors shall indemnify our Group for any costs suffered in relation to such defects. For glass and aluminium, a warranty of 10 to 15 years will also be provided by the building material suppliers. However, we may still undertake extra costs which may be incurred to rectify any defects in design of the façade and curtain wall works, materials and workmanship discovered. The warranty provision is required to be recognised for expected costs to rectify the aforementioned defects based on past experience of warranty claims by customers and the best estimate made by the Directors of the expenditure required to settle our Group's obligation. During the Track Record Period, there was no material claim brought against our Group by our customers and the cost incurred for rectifying defective works was immaterial. During the Track Record Period, we did not make any provision for warranty.

Other critical accounting policies and estimates

Please refer to "Notes to historical financial information – 4. Significant accounting policies" of the Accountants' Report in Appendix I to this prospectus for other critical accounting policies and estimates applied in preparation of our combined financial statements.

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SUMMARY OF RESULTS OF OPERATIONS

The following combined statements of profit and loss and other comprehensive income of our Group for the Track Record Period are derived from, and should be read in conjunction with, the Accountants' Report set forth in Appendix I to this prospectus.

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	172,029	109,607	40,135	58,065
Cost of services	(147,060)	(90,056)	(31,992)	(50,096)
Gross profit	24,969	19,551	8,143	7,969
Other income, gain and loss	212	148	32	(119)
Administrative expenses	(4,591)	(6,290)	(1,377)	(3,076)
Finance costs	(899)	(1,142)	(304)	(526)
Other expenses	—	(2,800)	—	(3,965)
Profit before taxation	19,691	9,467	6,494	283
Taxation	(3,266)	(2,285)	(1,052)	(742)
Profit/(loss) for the year/period	<u>16,425</u>	<u>7,182</u>	<u>5,442</u>	<u>(459)</u>

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

The following table below sets forth the breakdown of our revenue by types of building and number of projects during the Track Record Period:

	Year ended 31 March						Four months ended 31 July					
	2016			2017			2016			2017		
Types of building	Number of projects	HK\$'000	%	Number of projects	HK\$'000	%	Number of projects	HK\$'000	%	Number of projects	HK\$'000	%
							(unaudited)					
Residential	4	25,020	14.5	9	85,843	78.3	5	27,163	67.7	7	58,065	100.0
Commercial	8	147,009	85.5	5	23,764	21.7	5	12,972	32.3	—	—	—
Total	<u>12</u>	<u>172,029</u>	<u>100.0</u>	<u>14</u>	<u>109,607</u>	<u>100.0</u>	<u>10</u>	<u>40,135</u>	<u>100.0</u>	<u>7</u>	<u>58,065</u>	<u>100.0</u>

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The following table sets forth the breakdown of our revenue generated from the original contract and variation order during the Track Record Period:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK'000	%	HK'000	%	HK'000	%	HK'000	%
	(unaudited)							
Design and build projects	163,477	95.0	91,065	83.1	30,656	76.4	58,065	100.0
Variation orders (<i>Note</i>)	8,552	5.0	18,542	16.9	9,479	23.6	–	–
Total	172,029	100.0	109,607	100.0	40,135	100.0	58,065	100.0

Note: Our customers may require alterations in item, service or specifications by way of variation orders for a project. The unit rate for any item under such variation orders is confirmed by written confirmation between our Group and the customers. During the Track Record Period, over 25 variation orders were given by our customers.

Our Group provides façade and curtain wall works solutions which include both design and project management services, i.e. developing design, conducting structural calculations, preparing shop drawings, sourcing and procuring building materials, arranging for building material logistics and installation works, and post-project completion services for various types of buildings which can be broadly classified as: (i) residential buildings and (ii) commercial buildings.

For each of the two years ended 31 March 2017, our Group recorded revenue of approximately HK\$172.0 million and HK\$109.6 million, respectively, representing a decrease of approximately 36.3% or HK\$62.4 million. Such decrease was primarily due to the reasons that (i) most of our projects were substantially completed, with substantial portion of revenue from these projects being recognised, during the year ended 31 March 2016; (ii) four projects commenced in the second and third quarter of the year ended 31 March 2017 with small portion of revenue being recognised from these projects; and (iii) the delay in main contractor's work schedule of a project at Argyle Street.

We had four projects for residential buildings and eight projects for commercial buildings for the year ended 31 March 2016 and nine projects for residential buildings and five projects for commercial buildings for the year ended 31 March 2017. Revenue derived from the projects for residential buildings increased from approximately HK\$25.0 million for the year ended 31 March 2016 to approximately HK\$85.8 million for the year ended 31 March 2017. Revenue derived from the projects for commercial buildings decreased from approximately HK\$147.0 million for the year ended 31 March 2016 to approximately HK\$23.8 million for the year ended 31 March 2017. The decrease in the revenue derived from the projects for commercial buildings overwhelmed the increase in the revenue derived from the projects for residential buildings and resulted in the decrease in the total revenue for the year ended 31 March 2017.

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The revenue generated from variation orders increased from approximately HK\$8.6 million for the year ended 31 March 2016 to approximately HK\$18.5 million for the year ended 31 March 2017. The increase was mainly attributed to the increase in variation orders derived from projects which were substantially completed and over 95% of the variation orders were from projects for commercial buildings.

We recorded revenue of approximately HK\$58.1 million for the four months ended 31 July 2017, representing an increase by approximately HK\$18.0 million or 44.9% when compared to that of approximately HK\$40.1 million for the four months ended 31 July 2016. The increase was primarily due to the difference in stage of completion between our projects in the periods. During the four months ended 31 July 2016, most of our projects were substantially completed and over 80% of the revenue generated from variation orders for the period was from these projects. In addition, project at Prince Edward Road West – B and Muk Ning Street were still in the planning stage which substantial revenue were expected to be recognised after the period. On the other hand, most of the projects engaged during the four months ended 31 July 2017 were in the execution stage where installation works were ongoing with revenue being recognised accordingly.

For the four months ended 31 July 2016, we had five projects for residential buildings and five projects for commercial buildings. Most of the projects engaged during same period in 2017 were for residential buildings. The decrease in revenue generated from projects for commercial buildings was resulted from the substantial completion of these projects in the year ended 31 March 2017. In addition, no variation order was received from our customers for the four months ended 31 July 2017.

Revenue from commercial building projects represents approximately 85.5%, 21.7% and nil of the total revenue for the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. To secure new projects, we have to go through competitive tendering process and hence the type of building of our projects to be secured may vary from time to time and beyond our control. The primary reasons for the decline are that (i) all of the five commercial building projects we undertaken for the year ended 31 March 2017 were completed in the same year, and up to the end of which all of their revenue had been recognised; and (ii) despite we had tendered for both residential and commercial building potential projects for the year ended 31 March 2017 and the four months ended 31 July 2017, no commercial building project was awarded to us. After the Track Record Period, we have secured three commercial building projects and our Group will continue to tender for both residential and commercial building projects in the future.

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The following table below sets forth the analysis of our projects based on their respective revenues recognised during the Track Record Period:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Revenue recognised				
HK\$10 million or above	5	2	1	2
HK\$5 million to HK\$10 million	2	6	1	4
HK\$1 million to HK\$5 million	5	4	6	1
Below HK\$1 million	–	2	2	–
Total	<u>12</u>	<u>14</u>	<u>10</u>	<u>7</u>

There were five projects which contributed over HK\$10 million each in revenue for the year ended 31 March 2016. Four of these projects were substantially completed by the financial year end of 2016. For the year ended 31 March 2017, there were only two projects contributing over HK\$10 million each in revenue. The total revenue generated from the five projects contributing over HK\$10 million each for the year ended 31 March 2016 amounted to approximately HK\$139.2 million as compared to the total revenue generated from the two projects contributing over HK\$10 million each amounted to approximately HK\$51.4 million.

There was one project which contributed over HK\$10 million (i.e. approximately HK\$16.5 million) to our revenue for the four months ended 31 July 2016. There were two projects which contributed over HK\$10 million to our revenue for the four months ended 31 July 2017, with an aggregate revenue of approximately HK\$28.1 million recognised.

The number of projects which each of them contributed revenue ranged from HK\$1 million to HK\$10 million increased from seven in the year ended 31 March 2016 to 10 in the year ended 31 March 2017. The total revenue recognised for the seven projects in the year ended 31 March 2016 was approximately HK\$28.2 million as compared to the total revenue recognised for the 10 projects in the year ended 31 March 2017 of approximately HK\$52.2 million. The number of projects, each of which contributing revenue from HK\$1 million to HK\$10 million, decreased from seven for the four months ended 31 July 2016 to five for the four months ended 31 July 2017. Revenue of approximately HK\$20.7 million and HK\$29.9 million was recognised regarding the former and the latter, respectively.

Although the total number of projects increased from 12 to 14 for the two years ended 31 March 2017 and six projects were awarded in year ended 31 March 2017, four of the new projects were awarded in the second and third quarter in the financial year of 2016 and the

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delay in timetable of the project at Argyle Street which resulted in the decrease of our total revenue for the year ended 31 March 2017. For the four months ended 31 July 2016 and 2017, our total revenue increased despite the decrease in the total number of our projects because of the aforesaid reasons. For details of our projects, please refer to the tables below regarding our projects completed during the Track Record Period and our projects on hand as at the Latest Practicable Date.

The following table sets out a detailed list of our projects completed during the Track Record Period:

No.	Location	Type of building	Time of commencement	Time of completion	Awarded contract sum without variation order (HK\$'000)	Revenue recognised during the Track Record Period (HK\$'000)
1	Granville Road	Commercial	July 2013	November 2015	5,300	1,058
2	Lee Tung Street	Commercial	January 2015	November 2015	27,569	5,784
3	Ng Fong Street (Note 1(a))	Commercial	August 2014	April 2016	39,242	40,200
4	Ching Sau Lane	Residential	January 2015	April 2016	3,400	3,083
5	Hankow Road	Commercial	April 2015	March 2016	19,655	19,733
6	On Kwan Street	Commercial	November 2014	May 2016	49,975	53,025
7	Tak Cheong Street	Commercial	July 2014	June 2016	26,889	29,140
8	Castle Peak Road (Note 1(b))	Commercial	December 2013	August 2016	12,086	12,146
9	Granville Road	Commercial	June 2013	October 2016	4,700	2,642
10	Prince Edward Road West – A (Note 1(c))	Residential	October 2014	November 2016	10,476	9,592
11	Jones Street	Residential	January 2015	December 2016	38,000	37,682

Note:

1. As described in the paragraph headed “B. Project planning and execution stage – Finalisation and submission of designs, structural calculations, shop drawings and building material samples” in the business section, our staff would work closely with the projects architect and structural engineer to finalise the design, structural calculation and shop drawings of the project. When they are finalised, approval from Buildings Department would then be sought.
 - (a) The design of the project had not been finalised by the customer until the approval of the design from Buildings Department was obtained in March 2015 and our substantial works were delivered thereafter.
 - (b) The design of the project had not been finalised by the customer until the approval of the design from Buildings Department was obtained in July 2015 and our substantial works were delivered thereafter.
 - (c) The design of the project had not been finalised by the customer until the approval of the design from Buildings Department was obtained in January 2015 and our substantial works were delivered thereafter.

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The following table sets out a detailed list of our projects on hand as at the Latest Practicable Date:

No.	Location	Types of building	Time of commencement/ expected time of commencement	Time of completion/ expected time of completion	Awarded contract sum without variation order (HK\$'000)	Accumulated revenue recognised up to 31 July 2017 (HK\$'000)	(%)	Estimated revenue to be recognised during each specified year/period (Note) (HK\$'000)
1	Tung Chau Street	Residential	January 2016	November 2017	16,124	13,947	86.5	8M2018: FY2019: 2,177 –
2	Prince Edward Road West – B	Residential	May 2016	January 2018	22,000	12,806	58.2	8M2018: FY2019: 9,194 –
3	Argyle Street	Residential	October 2016	January 2018	18,800	2,660	14.1	8M2018: FY2019: 16,140 –
4	Muk Ning Street	Residential	May 2016	May 2018	181,000	45,920	25.4	8M2018: FY2019: 106,532 28,548
5	Victory Avenue	Residential	October 2016	April 2018	40,000	16,464	41.2	8M2018: FY2019: 20,987 2,549
6	Oi Kan Road	Residential	August 2016	February 2018	19,600	8,087	41.3	8M2018: FY2019: 11,513 –
7	Luen Hing Street	Residential	September 2016	April 2018	62,000	18,532	29.9	8M2018: FY2019: 38,032 5,436
8	Yue Man Square	Commercial	October 2017	July 2019	63,824	–	–	8M2018: FY2019: After FY2019: 11,386 39,328 13,110
9	Wing Kin Road	Commercial	November 2017	September 2019	32,089	–	–	8M2018: FY2019: After FY2019: 747 11,191 20,151

Note: 8M2018 and FY2019 refers to the eight months ending 31 March 2018 (i.e. the period from 1 August 2017 to 31 March 2018) and the year ending 31 March 2019, respectively. The estimated revenue for a particular contract is provided based on our management's best estimation. In making the estimation, our management takes into account factors including but not limited to the expected completion date specified in the relevant contract (if any) and the actual work schedule.

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Cost of services

Our cost of services comprises (i) building material costs, (ii) subcontracting charges, (iii) staff costs and (iv) other costs. These costs may vary among different projects and fluctuate substantially from time to time, depending on the progress and stage of the projects. Our projects could be broadly divided into three chronological stages: tendering stage, planning and execution stage, and post-completion stage. Please refer to the sub-section headed “Operating procedure” of the business section to this prospectus for further information about our operating procedure. In general, mostly design services costs included in the subcontracting charges would be incurred for the tendering and planning work of each project. The building material costs as well as the installation work costs would take up a significant proportion mostly during the execution stage of each project.

The following table sets forth a breakdown of our cost of services during the Track Record Period:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Building material costs	75,916	51.6	28,948	32.1	10,758	33.6	21,094	42.1
Subcontracting charges	53,834	36.6	39,217	43.6	13,786	43.1	18,754	37.4
Staff costs	5,045	3.4	10,435	11.6	3,881	12.1	6,786	13.5
Other costs	12,265	8.4	11,456	12.7	3,567	11.2	3,462	7.0
Total	147,060	100.0	90,056	100.0	31,992	100.0	50,096	100.0

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(i) Building material costs

Building material costs comprise the purchase costs of (i) fabricated products, (ii) aluminium and steel, (iii) glass, (iv) sealant, and (v) other materials. During the Track Record Period, over 90% of total building material costs contributed from aluminium, steel, glass and fabricated products. Our Group is required to install the building materials on a timely basis and no inventory is kept in our project site. Our Group did not have significant amount of uninstalled building materials as at 31 March 2016 and 2017 and 31 July 2017.

The building material costs decreased from approximately HK\$75.9 million or 51.6% of our total cost of services for the year ended 31 March 2016 to approximately HK\$28.9 million or 32.1% of our total cost of services for the year ended 31 March 2017. Such decrease was a result of the difference in proportion of building material costs incurred to the total costs at different stage of our projects. In general, building material costs take up a significant proportion during the execution stage of a project. As at 31 March 2016, four projects (i.e. the projects at Tak Cheong Street, Ng Fong Street, On Kwan Street and Jones Street, respectively) were substantially completed and hence substantial building material costs had been incurred in the year ended 31 March 2016. For the year ended 31 March 2016, the building material costs regarding these four projects represented over 75% of the total building material costs, while for the year ended 31 March 2017, the former only represented less than 10% of the latter. Such decrease was also a result that another four projects (i.e. the projects at Argyle Street, Victory Avenue, Oi Kan Road and Luen Hing Street, respectively) were undertaken in the second and third quarter for the year ended 31 March 2017. Hence comparatively less building material costs were incurred regarding these projects for the year ended 31 March 2017.

Moreover, the proportion of building material costs to the total costs is relatively lower for variation orders which generally accounted for less than 20% of the total costs. The total revenue in relation to variation orders accounted for approximately 16.9% of our total revenue of services for the year ended 31 March 2017 but only less than 5% of our total revenue for the year ended 31 March 2016. In conclusion, given that (i) substantial building material costs of four projects (i.e. the projects at Tak Cheong Street, Ng Fong Street, On Kwan Street and Jones Street) had been incurred in the year ended 31 March 2016; (ii) less building material costs were incurred for another four projects (i.e. the projects at Argyle Street, Victory Avenue, Oi Kan Road and Luen Hing Street) which were undertaken in the second and third quarter of the year ended 31 March 2017; and (iii) the proportion of revenue from variation orders increased for the year ended 31 March 2017, the proportion of building material costs to the total costs decreased from approximately 51.6% for the year ended 31 March 2016 to approximately 32.1% for the year ended 31 March 2017 and which resulted in the decrease in building material costs outpaced the decrease in revenue for the year ended 31 March 2017.

In addition, the delay in work schedule of the project at Argyle Street also resulted in less building materials ordered and used in the year ended 31 March 2017.

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The building material costs increased from approximately HK\$10.8 million or 33.6% of our total cost of services for the four months ended 31 July 2016 to approximately HK\$21.1 million or 42.1% of our total cost of services for the four months ended 31 July 2017. The increase in percentage as to the total costs of services was due to that most of the projects engaged for the four months ended 31 July 2017 were in the execution stage that building material costs were taking up significant proportion of the total costs of services.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of building materials on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 7.3% and 3.9%, with reference to the historical price trend of aluminium, steel and glass in Hong Kong from 2012 to 2016 as shown in Ipsos Report (see the section headed “Industry Overview – Key materials used in façade and curtain wall works industry in Hong Kong” of this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuation in building

material costs (% change)	-3.9%	-7.3%	+3.9%	+7.3%
Change in profit before tax (HK\$'000)				
For the year ended 31 March 2016	+2,961	+5,542	-2,961	-5,542
For the year ended 31 March 2017	+1,129	+2,113	-1,129	-2,113
For the four months ended 31 July 2017	+823	+1,540	-823	-1,540

Note: The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in the prices of building materials and their processing and does not reflect changes in our revenue.

(ii) Subcontracting charges

Subcontracting charges represent the charges paid and payable to our subcontractors who provide installation works and design services for our projects during the two year ended 31 March 2017. Subcontracting charges amounted to approximately HK\$53.8 million and HK\$39.2 million, representing approximately 36.6% and 43.6% of the total cost of services of the years ended 31 March 2016 and 2017, respectively. The decrease in subcontracting charges was in line with the decrease of the revenue recognised during the year ended 31 March 2017. However, the increase in percentage as to the total cost of services was mainly attributed to the increase in subcontracting charges for design services in the year ended 31 March 2017 due to the development of design for the new projects awarded in the second and third quarter in the year ended 31 March 2017.

The subcontracting charges increased from approximately HK\$13.8 million or 43.1% of our total cost of services for the four months ended 31 July 2016 to approximately HK\$18.8 million or 37.4% of our total cost of services for the four months ended 31 July 2017. Although most of the projects engaged for the four months ended 31

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July 2017 were in the execution stage that certain amount of costs were incurred for installation works, as Polyfair SZ has been handling the design work of our seven projects on hand since March 2017, the decrease in subcontracting charges for design services caused the decrease in percentage of subcontracting charges to the total cost of services for the four months ended 31 July 2017.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting charges on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 7.1% and 18.1%, with reference to the historical fluctuation in our subcontracting charges during the Track Record Period and are therefore considered reasonable for the purpose of this sensitivity analysis:

**Hypothetical fluctuation in
subcontracting charges**

(<i>% change</i>)	-7.1%	-18.1%	+7.1%	+18.1%
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Change in profit before tax
(*HK\$'000*)

For the year ended 31 March 2016	+3,822	+9,744	-3,822	-9,744
For the year ended 31 March 2017	+2,784	+7,098	-2,784	-7,098
For the four months ended 31 July 2017	+1,332	+3,394	-1,332	-3,394

Note: The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in the price of subcontracting and does not reflect changes in our revenue.

(iii) Staff costs

Staff costs represent staff compensation and benefits directly incurred for the provision of our works. For the two years ended 31 March 2017, our staff costs amounted to approximately HK\$5.0 million and HK\$10.4 million, respectively, representing approximately 3.4% and 11.6% of our total cost of services for the corresponding year, respectively. For the year ended 31 March 2017, we employed additional five project management staff, four design staff and two supporting staff in order to enhance our capacity to handle new projects during the year ended 31 March 2017.

For the four months ended 31 July 2016 and 2017, our staff costs amounted to approximately HK\$3.9 million and HK\$6.8 million, respectively, representing approximately 12.1% and 13.5% of our total cost of services for the corresponding period, respectively. The increase was mainly due to Polyfair SZ has been handling the design work since March 2017 which accounted for staff costs for our Group accordingly.

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(iv) Other costs

Other costs primarily comprise consultancy fees, cleaning fee, testing fee, insurance coverage and transportation costs. For the two years ended 31 March 2017, the total amounts of other costs were approximately HK\$12.3 million and HK\$11.5 million, respectively, representing approximately 8.4% and 12.7% of our total cost of services for the corresponding year, respectively. The increase in percentage as to the total cost of services was mainly due to cleaning costs incurred for completed projects and insurance paid during the year ended 31 March 2017.

For the four months ended 31 July 2016 and 2017, the total amounts of other costs were approximately HK\$3.6 million and HK\$3.5 million, respectively.

Gross profit and gross profit margin

The following table sets forth the breakdown of our gross profit and gross profit margin by types of building during the Track Record Period:

	Year ended 31 March 2016		2017		Four months ended 31 July 2016		2017	
	<i>Gross profit margin</i> HK\$'000	(%)	<i>Gross profit margin</i> HK\$'000	(%)	<i>Gross profit margin</i> HK\$'000 (unaudited)	(%)	<i>Gross profit margin</i> HK\$'000	(%)
Types of building								
– Residential buildings	1,393	5.6	11,500	13.4	4,113	15.1	7,969	13.7
– Commercial buildings	23,576	16.0	8,051	33.9	4,030	31.1	–	–
	<u>24,969</u>	14.5	<u>19,551</u>	17.8	<u>8,143</u>	20.3	<u>7,969</u>	13.7

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The following table sets forth the breakdown of our gross profit generated from the original contract and variation orders during the Track Record Period:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>
	<i>profit</i>	<i>profit</i>	<i>profit</i>	<i>profit</i>
	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(%)	(%)	(%)	(%)
			(unaudited)	
Original contract or variation orders				
Design and build				
projects	23,383	14.3	12,917	14.2
Variation orders	1,586	18.5	6,634	35.8
	<u>24,969</u>	<u>14.5</u>	<u>19,551</u>	<u>17.8</u>
Total	24,969	14.5	19,551	17.8
	<u>24,969</u>	<u>14.5</u>	<u>19,551</u>	<u>17.8</u>

Our overall gross profit decreased by approximately 21.6% or HK\$5.4 million from approximately HK\$25.0 million for the year ended 31 March 2016 to approximately HK\$19.6 million for the year ended 31 March 2017, which was generally in line with the overall decrease in our revenue.

The gross profit and gross profit margin for residential building projects increased from approximately HK\$1.4 million and 5.6% for the year ended 31 March 2016 to approximately HK\$11.5 million and 13.4% for the year ended 31 March 2017, respectively. The increase in the amount of gross profit for residential building projects was mainly a result of the increase in number of residential projects as our Group was awarded six new projects for residential buildings in the year ended 31 March 2017 and four of them had commenced before September 2017. The increase in gross profit margin for residential building projects was attributed to that (i) two projects for residential buildings (located at Victory Avenue and Argyle Street) which were awarded in the October 2016 commanded relatively high gross profit margin. Given our Group already had four abovementioned projects awarded in September on hand, our Group has tendency to opt for higher gross profit margins projects. Our Directors considered that these two projects located at Victory Avenue and Argyle Street exhibited higher technical complexity. Particularly, the customer of the project at Argyle Street requires specific and complicated design and use of building materials, as well as a relatively tight construction schedule. As a result, relatively higher price resulting into a higher gross profit margins were charged to the projects at Victory Avenue and Argyle Street (i.e. over 19% and 25% of gross profit margin, respectively), the aggregate gross profit of which amounted to approximately 12.6% of the total gross profit for residential building projects for the year ended 31 March 2017; and (ii) design and tender preparation costs of approximately HK\$1.0 million in the project tendering stage for the project at Muk Ning Street was incurred during the year ended 31 March 2016 while the project at Muk Ning Street commenced and started to generate revenue in the year ended 31 March 2017. The gross profit generated from the project at Muk

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Ning Street represented approximately 37.7% of the total gross profit for residential building projects for the year ended 31 March 2017. Our Directors are of the view that to cope with our business strategies in winning more sizable projects and expanding our customer base, it is justified to allocate more resources in tendering the project at Muk Ning Street with the contract sum over HK\$180 million. To the best knowledge of our Directors, based on the scope of work, technical specification and complexity, the gross profit margin for residential building projects is generally lower than project for commercial buildings.

The gross profit margin for commercial building projects increased from approximately 16.0% for the year ended 31 March 2016 to approximately 33.9% for the year ended 31 March 2017, although our Group recorded a decrease in gross profit for commercial building projects mainly due to the substantial completion of most of our commercial building projects in the year ended 31 March 2016. The increase in gross profit margin was mainly attributed to variation orders initiated by the customers for projects during the time before and after the substantial completion in the year ended 31 March 2017. Over 95% of the amount of gross profit generated from variation orders for the year ended 31 March 2017 was from projects for commercial buildings. As confirmed by our Directors, the aforesaid variation orders were charged in relatively higher profit margin as our works involved additional structural calculation to meet the customers' specific and complicated requirements on the design. Certain parts of these variation orders also required the use of special building materials, on which we included a premium charge to account for the input of additional resources and manpower to accommodate such requirements.

The gross profit and gross profit margin for residential building projects are approximately HK\$4.1 million and 15.1% for the four months ended 31 July 2016 and approximately HK\$8.0 million and 13.7% for the four months ended 31 July 2017, respectively. The higher gross profit margin for residential building projects for the four months ended 31 July 2016 was mainly due to the impact that a portion of design and tender preparation costs for the project at Muk Ning Street was incurred during the year ended 31 March 2016 while the revenue of this project started to be recognised thereafter in the four months ended 31 July 2016. Since all the projects engaged during the four months ended 31 July 2017 were for residential buildings and no variation order was initiated by our customers during the period that resulted to the decrease of the overall gross profit margin for the four months ended 31 July 2017.

Other income, gain and loss

Other income, gain decreased from approximately HK\$0.2 million for the year ended 31 March 2016 to approximately HK\$0.1 million for the year ended 31 March 2017 mainly due to the decrease in exchange difference, arising from exchange difference from settlement of RMB. For the four months ended 31 July 2017, our Group recorded exchange loss amounted to approximately HK\$0.1 million.

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Administrative expenses

The following table sets forth the breakdown of our administrative expenses incurred during the Track Record Period:

	Year ended		Four months ended	
	31 March		31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Staff costs (including				
Directors' remuneration)	3,583	3,070	525	1,046
Rent and rates	369	612	141	317
Legal and professional fee	67	896	186	1,007
Auditor's remuneration	60	600	200	200
Office utilities	279	349	88	135
Depreciation	7	42	2	48
Bank charges	58	299	138	130
Others	168	422	97	193
Total	4,591	6,290	1,377	3,076

Our administrative expenses increased by approximately 37.0% or HK\$1.7 million from approximately HK\$4.6 million for the year ended 31 March 2016 to approximately HK\$6.3 million for the year ended 31 March 2017. The increase in administrative expenses was mainly attributable to the increase in legal and professional fee of approximately HK\$0.8 million, audit fee of approximately HK\$0.5 million and rent and rates of approximately HK\$0.2 million for new Hong Kong office and Shenzhen offices. The decrease in staff costs was mainly attributed to more tender preparation costs incurred for the year ended 31 March 2016 in the project tendering stage. To cope with our business strategies in winning more sizable projects and expanding our customer base, our Group allocated more resources in tendering several projects in the year ended 31 March 2016 that resulted in a higher staff costs in the year ended 31 March 2016, despite part of the staff costs were allocated to cost of services when projects were subsequently awarded.

For the four months ended 31 July 2016 and 2017, the administrative expenses increased from approximately HK\$1.4 million to approximately HK\$3.1 million. The increase was mainly attributed to the increase in staff costs for new employment in Hong Kong office and PRC office and the increase in legal and professional fee of approximately HK\$0.8 million.

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Other expenses

Other expenses were mainly attributable to the listing expenses of approximately HK\$2.8 million and tax penalty of approximately HK\$50,000 for the year ended 31 March 2017. Listing expenses of approximately HK\$4.0 million was recorded for the four months ended 31 July 2017.

Pursuant to the notice issued by the Inland Revenue Department in September 2017 informing a subsidiary of our Group for demanding additional tax given under Section 82A(4) of the Inland Revenue Ordinance due to late profits tax filing for the year of assessment 2015/16, a provision of approximately HK\$50,000, has been accrued in the year ended 31 March 2017 and included in the other expenses.

Finance costs

Finance costs increased from approximately HK\$0.9 million for the year ended 31 March 2016 to approximately HK\$1.1 million for the year ended 31 March 2017 and increased from approximately HK\$0.3 million for the four months ended 31 July 2016 to approximately HK\$0.5 million for the four months ended 31 July 2017. The increase in finance costs was mainly attributed to the increase in bank borrowings to finance our business.

Taxation

Our income tax expenses for the year can be reconciled to the profit before tax in the combined statements of comprehensive income as follows:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Profit before taxation	<u>19,691</u>	<u>9,467</u>	<u>6,494</u>	<u>283</u>
Tax calculated at Hong Kong profits tax rate of 16.5%	3,249	1,562	1,072	47
Tax effect of income not taxable for tax purposes	–	(1)	–	(16)
Tax effect of expenses not deductible for tax purposes	39	469	–	674
Effect of different tax rates of a subsidiary operating in other jurisdiction	–	–	–	34
Tax reduction	(20)	(20)	(20)	–
Others	<u>(2)</u>	<u>275</u>	<u>–</u>	<u>3</u>
Income tax expense	<u>3,266</u>	<u>2,285</u>	<u>1,052</u>	<u>742</u>
Effective tax rate	%	%	%	%
	16.6	24.1	16.2	262.2

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Our income tax expenses decreased by approximately 30.3% or approximately HK\$1.0 million from approximately HK\$3.3 million for the year ended 31 March 2016 to approximately HK\$2.3 million for the year ended 31 March 2017. The decrease in income tax expense was mainly attributable to the decrease in profit before tax from approximately HK\$19.7 million for the year ended 31 March 2016 to approximately HK\$9.5 million for the year ended 31 March 2017. In addition, our Group recognised listing expenses of HK\$2.8 million and tax penalty of HK\$50,000 for the year ended 31 March 2017, which was non-deductible for tax purpose.

Our income tax expenses decreased from approximately HK\$1.1 million for the four months ended 31 July 2016 to approximately HK\$0.7 million for the four months ended 31 July 2017 and the effective tax rate of our Group were approximately 16.2% and 262.2% for the four months ended 31 July 2016 and 2017. The increase in the effective tax rate was mainly a result of the recognition of the listing expenses of approximately HK\$4.0 million during the period in 2017 which was non-deductible for tax purpose.

Profit/loss for the year/period

Our profit and total comprehensive income decreased by approximately 56.1% or HK\$9.2 million from approximately HK\$16.4 million for the year ended 31 March 2016 to approximately HK\$7.2 million for the year ended 31 March 2017. Net profit margin decreased from 9.5% for the year ended 31 March 2016 to 6.6% for the year ended 31 March 2017. Excluding the listing expense and tax penalty for the year ended 31 March 2017, the decrease in our profit and total comprehensive income for the year ended 31 March 2017 was in line with the decrease in our revenue.

For the four months ended 31 July 2016 and 2017, our profit decreased by approximately HK\$5.9 million. The drop was mainly due to approximately HK\$4.0 million listing expenses was incurred and increase in administrative expenses during the period in 2017.

LIQUIDITY AND CAPITAL RESOURCES

Our major source of funding for our operations was cash generated from our operations and external borrowings. Our primary liquidity requirements are to finance our working capital, repayment of loans and related interest expenses and growth of our operation. Upon the Listing, our source of funding will be a combination of cash generated from operations, bank borrowings and net proceeds from the Share Offer. As at 31 March 2016 and 2017 and 31 July 2017, we had bank balances and cash of approximately HK\$2.4 million, HK\$9.5 million and HK\$2.7 million, respectively.

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Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Net cash generated from/(used in) operating activities	4,600	(17,039)	(759)	(29,390)
Net cash (used in)/generated from investing activities	(11,228)	8,534	–	(236)
Net cash generated from financing activities	6,894	16,548	8,276	22,870
Net increase/(decrease) in cash and cash equivalents	266	8,043	7,517	(6,756)
Cash and cash equivalents at the beginning of the year	1,156	1,422	2,364	9,465
Effect of foreign exchange rate difference	–	–	–	(2)
Cash and cash equivalents at the end of the year/period	1,422	9,465	9,881	2,707

Net cash generated from or used in operating activities

Our operating cash inflows are primarily derived from the receipt of progress payments by providing design and project management services in our projects whereas our cash outflows for operating activities are primarily the payments for purchase of building materials, subcontracting charges, staff costs and administrative and other operating expenses.

For the year ended 31 March 2016, our net cash generated from operating activities amounted to approximately HK\$4.6 million and operating cash flow before movement in working capital amounted to approximately HK\$20.6 million. The difference mainly referred to a net result of (i) the increase in amounts receivable on contract work and retention money receivables by approximately HK\$25.4 million; and (ii) the increase in trade and other payables by approximately HK\$9.0 million.

For the year ended 31 March 2017, our net cash used in operating activities amounted to approximately HK\$17.0 million and operating cash flows before movement in working capital of approximately HK\$10.6 million. The difference mainly referred to a net result of (i) the income tax paid of approximately HK\$5.4 million; (ii) the increase in amounts receivable on contract work by approximately HK\$28.8 million; (iii) the increase in prepayments, deposits and other receivables by approximately HK\$4.3 million and (iv) the increase in trade and other payables by approximately HK\$4.7 million.

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For the four months ended 31 July 2017, our net cash used in operating activities amounted to approximately HK\$29.4 million and operating cash flows before movement in working capital of approximately HK\$0.9 million. The difference mainly referred to a net result of (i) the increase in amounts receivable on contract work by approximately HK\$22.8 million; (ii) the increase in prepayments, deposits and other receivables by approximately HK\$8.2 million; (iii) the increase in progress payments receivable by approximately HK\$8.8 million; and (iv) the increase in trade and other payables by approximately HK\$13.0 million.

The increase in amounts receivable on contract work was mainly attributed to (i) the timing difference between our works performed before 31 March 2017 and 31 July 2017 and the issuance of payment certificates by our customers after the year/period end date particularly when the revenue recognised in the planning stage that would be recognised as amounts receivable on contract work and will be eventually be settled in the latter stage of the projects; (ii) two ongoing projects which surety bond is required (i.e. project at Luen Hing Street and Oi Kan Road), our Group did not procure the required surety bonds upon our customers' notice and therefore our customers withheld all of the progress payments based on the term of the contracts agreed; and (iii) that the relevant payment certificate of the project at Lee Tung Street which amounted to approximately HK\$4.5 million had not been issued by the customer until the final amount of the project has been concluded. Please refer to the sub-section headed "Analysis of various items from the combined statement of financial position – Amount receivable/payable on contract work" in this section for details. The increase in trade and other payables was due to (i) the increase in trade payables in relation to material procurement and subcontracting charges for installation works incurred in the execution stage for on-going projects from the late fourth quarter of the year end 31 March 2017 for the projects in progress and (ii) the increase in accrued legal and professional expenses in relation to the Listing.

Net cash used in or generated from investing activities

For the year ended 31 March 2016, our net cash used in investing activities amounted to approximately HK\$11.2 million. Cash outflows mainly included (i) advance to a director of approximately HK\$7.4 million and (ii) placement of the pledged bank deposit of HK\$3.8 million.

For the year ended 31 March 2017, our net cash generated from investing activities amounted to approximately HK\$8.5 million. Cash inflows mainly included (i) repayment from a director of approximately HK\$7.4 million and (ii) the net withdrawal in pledged bank deposit of approximately HK\$1.8 million.

For the four months ended 31 July 2017, our net cash used in investing activities amounted to approximately HK\$0.2 million, represented the cash outflow for acquisition of property, plant and equipment of approximately HK\$0.2 million.

Net cash generated from financing activities

For the year ended 31 March 2016, our net cash generated from financing activities amounted to approximately HK\$6.9 million and was mainly a net result of (i) the net change in bank borrowings raised of approximately HK\$17.4 million; (ii) the net repayment to a director of approximately HK\$3.4 million and (iii) dividend paid of approximately HK\$6.5 million.

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For the year ended 31 March 2017, our net cash generated from financing activities amounted to approximately HK\$16.5 million and was mainly a net result of (i) the net change in bank borrowings raised of approximately HK\$15.4 million; (ii) net change in amount due to a director of approximately HK\$4.0 million and (iii) interest paid of approximately HK\$1.3 million.

For the four months ended 31 July 2017, our net cash generated from financing activities amounted to approximately HK\$22.9 million and was mainly a net result of (i) the net change in bank borrowings raised of approximately HK\$19.7 million and (ii) net change in amount due to a director of approximately HK\$3.7 million.

NET CURRENT ASSETS

The following table sets forth a breakdown of our current assets and liabilities as at the dates indicated:

	As at 31 March		As at	As at
	2016	2017	31 July	30 November
	HK\$'000	HK\$'000	2017	2017
			HK\$'000	HK\$'000
				(unaudited)
Current assets				
Amounts receivable on contract work	30,112	58,930	81,732	72,899
Progress payments receivable	8,425	3,354	12,109	43,924
Retention money receivable	9,831	7,191	10,767	18,748
Prepayments, deposits and other receivables	2,672	7,914	16,455	22,579
Amount due from a director	7,392	–	–	–
Tax recoverable	–	900	265	–
Pledged bank deposits	3,800	2,001	2,001	5,001
Bank balances and cash	2,364	9,465	2,707	4,219
	<u>64,596</u>	<u>89,755</u>	<u>126,036</u>	<u>167,370</u>
Current liabilities				
Amounts payable on contract work	1,502	–	–	–
Trade and other payables	17,786	21,836	35,187	43,917
Amount due to a director	3,260	7,055	10,780	16,367
Taxation payable	2,237	–	107	1,519
Bank borrowings	26,466	41,899	61,634	83,100
Bank overdrafts	942	–	–	–
	<u>52,193</u>	<u>70,790</u>	<u>107,708</u>	<u>144,903</u>
Net current assets	<u>12,403</u>	<u>18,965</u>	<u>18,328</u>	<u>22,467</u>

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Our Group's net current assets increased by approximately HK\$6.6 million from approximately HK\$12.4 million as at 31 March 2016 to approximately HK\$19.0 million as at 31 March 2017, which was mainly a net result of (i) increase in the amounts receivable on contract work of HK\$28.8 million; (ii) increase in cash and bank balances of approximately HK\$7.1 million; (iii) increase in bank borrowings of HK\$15.4 million; (iv) decrease in amount due from a director of approximately HK\$7.4 million; and (v) increase in trade and other payables of approximately HK\$4.1 million.

Our net current assets then decreased slightly to approximately HK\$18.3 million as at 31 July 2017, among which the amounts receivable on contract work and progress payments receivables increased by approximately HK\$22.8 million and HK\$8.8 million, respectively, and prepayments, deposits and other receivables increased by approximately HK\$8.5 million, which was partly offset by (i) the decrease in cash and bank balances of HK\$6.8 million; (ii) the increase in trade and other payables of approximately HK\$13.4 million and (iii) the increase in bank borrowings by approximately HK\$19.7 million.

Our net current assets increased to approximately HK\$22.5 million as at 30 November 2017. Following to the delivery of our works during the execution stage of our projects, the amount receivable on contract work reduced by approximately HK\$8.8 million to approximately HK\$72.9 million as at 30 November 2017. Progress payments receivable and retention money receivable increased from approximately HK\$12.1 million and HK\$10.8 million as at 31 July 2017 to approximately HK\$43.9 million and HK\$18.7 million respectively as at 30 November 2017. The increase was partly offset by the increase in trade and other payables by approximately HK\$8.7 million and the increase in bank borrowings by approximately HK\$21.5 million.

ANALYSIS OF VARIOUS ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment consisted of (i) leasehold improvements and (ii) furniture and office equipment. Net of depreciation, the carrying amount of property, plant and equipment was approximately HK\$29,000, HK\$0.6 million and HK\$0.8 million as at 31 March 2016 and 2017 and 31 July 2017, respectively. The increase in property, plant and equipment was a result of the leases of new Hong Kong office and Shenzhen offices in the year ended 31 March 2017 and addition of furniture and office equipment for the four months ended 31 July 2017.

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Amounts receivable/payable on contract work

The following table sets forth the details of the amounts receivable/payable on contract work of projects as at 31 March 2016 and 2017 and 31 July 2017:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Contract costs incurred plus recognised profits less recognised losses	295,083	269,653	327,078
Less: Progress billings	(266,473)	(210,723)	(245,346)
	<u>28,610</u>	<u>58,930</u>	<u>81,732</u>
Amounts receivable on contract work	30,112	58,930	81,732
Amounts payable on contract work	<u>(1,502)</u>	<u>–</u>	<u>–</u>
	<u>28,610</u>	<u>58,930</u>	<u>81,732</u>

As at Latest Practicable Date, approximately HK\$75.9 million or 92.9% of our amounts receivable on contract work as at 31 July 2017 had been certified and approximately HK\$71.2 million or 87.2% had been settled. Details are discussed in the following paragraphs.

Amounts receivable on contract work of projects represent projects in progress where the costs incurred plus recognised profits less recognised losses exceed progress billings. Conversely, if our progress billings exceed the costs incurred plus recognised profits less recognised losses, amounts payable on contract work will be recognised as current liabilities of our Group.

Our revenue from projects is recognised based on the stage of completion of the contracts, which is recorded by reference to cost of services incurred. As stated in the “Operating procedure – B. Project planning and execution stage – Inspection and progress billings and payments” in the business section to this prospectus, our Group normally submits payment applications to the main contractor based on the stage of completion on a monthly basis in execution stage when certain building materials have been delivered and installed according to the schedule. Therefore, there is normally a timing difference between our works performed by the end of each month and the issuance of corresponding payment certificates by our customers, particularly in the planning stage that building materials have not yet been installed but the design fee has been incurred. As a result, our Group would record amounts receivable on contract work or amounts payable on contract work following the principle explained in the previous paragraph.

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As at 31 March 2016 and 2017 and 31 July 2017, our Group had (i) amounts receivable on contract work of approximately HK\$30.1 million, HK\$58.9 million and HK\$81.7 million, respectively; and (ii) amounts payable on contract work of approximately HK\$1.5 million, nil and nil, respectively. The increase in amounts receivable on contract work as at 31 July 2017 was mainly attributed to four projects in progress undertaken by our Group during the respective year and two substantially completed projects at Lee Tung Street and Hankow Road, respectively. According to Ipsos report, it is normal that the main contractor would prepare and settle the final account with its façade and curtain wall works subcontractors after the final account certification between the developer and main contractor for the project. It is also not uncommon that the settlement of final account between the main contractor and façade and curtain wall works subcontractor may occur at the time of expiry of defect liability date of the project. As stated in the certificate of practical completion for projects at Hankow Road and Lee Tung Street, the defects liability period expired in March and September 2017 respectively. We gained an understanding from the quantity surveyors assigned by the customers that the prolonged final account certification was due to the developer and main contractor for the two projects are still in the course of negotiation to finalise the final accounts. We have submitted the final payment applications and we had also confirmed with our customers that no disputes between our Group and them in relation to these two projects. Up to the Latest Practicable Date, we were notified by the respective customers that our final payment applications were still processing.

The following table sets forth the breakdown of the amounts receivable on contract work with the status of progress payment application, progress billing and subsequent settlement as at the Latest Practicable Date.

Project location	Amount receivables on contract work as at 31 July 2017	Up to Latest Practicable Date		
		Progress Payment Application submitted	Progress billing	Subsequent settlement
Muk Ning Street	27,855	27,855	27,855	27,855
Luen Hing Street	18,532	18,532	18,532	16,671
Victory Avenue	15,783	15,783	15,783	12,977
Oi Kan Road	7,519	7,519	7,519	7,519
Lee Tung Street	4,508	4,508	–	–
Argyle Street	2,360	2,360	2,360	2,360
Prince Edward Road West – B	1,928	1,928	1,928	1,928
Tung Chau Street	1,398	1,398	1,398	1,398
Hankow Road	1,126	1,126	–	–
Tak Cheong Street	367	367	367	367
Jones Street	198	198	–	–
Others	158	158	158	158
	<u>81,732</u>	<u>81,732</u>	<u>75,900</u>	<u>71,233</u>

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In general, the balances were generated from the timing difference between our works performed before period/year end date and the issuance of payment certificates by our customers afterwards. As stated in the paragraphs headed “Operating procedure – B. Project planning and execution stage – Inspection and progress billings and payment” in the business section to this prospectus, inspection by the quantity surveyor assigned by our customers will generally start inspecting our work done after the building material delivered and installed in the later execution stage of the projects. On the other hand, revenue and therefore the amount receivables are recorded based on the percentage of cost incurred (such as design fee) for a project. As a result, revenue recognised in the planning stage would be recorded as amounts receivable on contract work and will eventually be settled in the latter stage of our projects.

Therefore, there is a general phenomenon that the period between the commencement of projects and our Group receiving first progress payments from our customers generally ranges from approximately four months to 10 months, and relevant cash outflow during such period amounts to a maximum of approximately 55.2% of the respective project’s total contract sum, with an average of approximately 14.4%. The length of such period and the amount of upfront payment depend on the respective customer’s progress payment certifying procedure and pattern and whether there is a surety bond requirement as stated in the first paragraph headed “Business Strategies – Strengthen our financial positions to capture emerging business opportunity – (B) Increase our flexibility in allocating and utilising our financial resources” in the Business section.

For two on-going projects (i.e. project at Luen Hing Street and Oi Kan Road), we are required by our customers to procure surety bond, which amounts to 10% of the project’s contract sum. Regarding the project located at Oi Kan Road, our Group did not procure the required surety bond and therefore our customer withheld all our progress payments based on the term of the contract agreed. As at 31 July 2017, the amounts receivable on contract work in relation to the project located at Oi Kan Road was approximately HK\$7.5 million. We had issued the surety bond to the customer in September 2017 and had submitted the progress payment application subsequently. As at the Latest Practicable Date, all of such amounts receivable on contract work had been certified and settled. According to the contract terms agreed in relation to the project at Luen Hing Street, we are also required to procure surety bond before we can receive any progress payment. As at 31 July 2017, the amounts receivable on contract work in relation to this project was approximately HK\$18.6 million. Subsequently, our Group had procure the surety bond for this project in August 2017, and among such amounts receivable on contract work, all had been certified and approximately HK\$16.7 million had been settled as at the Latest Practicable Date. Taking into account of the consequences as disclosed, our Directors generally consider our Group’s financial resources availability and the stage and delivery schedule of projects undertaken, which may also affect our working capital and cash flow in particular period, to determine the time of issuing surety bond to our customers.

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PROGRESS PAYMENTS AND OTHER RECEIVABLES

The following table sets forth the breakdown of our progress payments and other receivables as at the end of each reporting period:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Progress payments receivables	8,425	3,354	12,109
Retention money receivables	9,831	7,191	10,767
Prepayments, deposits and other receivables	2,672	7,914	16,455
Total	20,928	18,459	39,331

Progress payments receivable

Our progress payments receivable as at 31 March 2016 and 2017 were approximately HK\$8.4 million and HK\$3.4 million, respectively. The decrease in progress payments receivable was mainly due to the timing of settlement made by different customers by the respective year end date. Following to the delivery of our works during the execution stage of our projects, the balance increased to approximately HK\$12.1 million as at 31 July 2017. Our Group's credit terms with our customers generally ranged from 14 to 30 days after the work is certified. Our Group submits payment applications to the main contractors based on our work done from time to time in accordance with the terms of contract. For each submission, the payment application will then be submitted to the quantity surveyor assigned by the customer. If such quantity surveyor is satisfied with the content of the payment application, he will recommend the architect to issue payment certificate to the customer. A payment from the customer will then be made to our Group subsequently.

The following table sets forth an ageing analysis of the progress payment receivables, based on invoice date, as at the end of each reporting period.

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Within 30 days	7,000	–	8,470
31 to 90 days	415	913	285
Over 90 days	1,010	2,441	3,354
	8,425	3,354	12,109

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The ageing analysis of the progress payment receivables, based on due date, as at the end of each reporting period.

	As at 31 March		As at
	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	5,347	–	8,200
Within 30 days	2,068	1	270
31 to 90 days	5	611	285
Over 90 days	1,005	2,742	3,354
	<u>8,425</u>	<u>3,354</u>	<u>12,109</u>

Based on the above tables, approximately HK\$1.0 million, HK\$2.7 million and HK\$3.4 million of our progress payments receivable were aged over 90 days as at 31 March 2016 and 2017 and 31 July 2017, respectively. As at Latest Practicable Date, approximately HK\$8.5 million of progress payments receivable as at 31 July 2017 had been subsequently settled, representing approximately 70.2% of the total progress payments receivable as at 31 July 2017. To the best knowledge of the Directors, during the Track Record Period, the progress payment of one of our projects in the sum of approximately HK\$2.6 million payable to our Group may be subject to deduction on alleged quality issues and alleged delay. Such customer was of the view that certain parts of our subcontractors' works were unsatisfactory during the course of execution of such project, and the costs for the rectification were then charged to our Group; however, we did not agree with these allegations. As at the Latest Practicable Date, while our Group is still in the course of negotiating with such customer on the purported deduction, our subcontractor has already agreed to bear 80% of such deduction amount in case our Group will be charged for some amount after negotiation, such that the maximum exposure of our Group shall be limited to approximately HK\$0.5 million. We had reviewed the credit quality of each receivable balance and generally the balances were due from reputable and sizeable customers which have no history of default. Our Directors consider there will not be any collection problem on the overdue balances and the amounts are still considered fully recoverable and no provision for impairment is considered necessary.

In order to prevent recurrence of similar incidents, our Group have implemented the following controls in two aspects:

Receivable collection aspect

- (a) Finance manager would reconcile from payment certificate issued by the architect to accounting record to ensure the occurrence and completeness of progress payment receivables. The reconciliation is reviewed by relevant project manager and approved by finance controller.
- (b) A progress payment ageing report and relevant follow-up actions shall be performed by the finance manager and relevant project managers on a monthly basis as part of the month-end closing procedures and reviewed by finance controller.

Product/service quality aspect

- (a) On-site inspection of installation work by project managers to ensure regular communication with customers and the quality of work can meet customers' expectation.

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- (b) We have prescribed specification on our raw materials for the production of our fabricated products and our suppliers are required to provide samples as per our specification to satisfy our requirements.
- (c) Maintain an approved subcontractor list for subcontractors who have passed our assessment criteria, we will have reviewed their performance based on their 1) market reputation, 2) response to our request for services, 3) reliability of product or services procured and 4) quality of samples provided. A subcontractor evaluation form will be used to evaluate the performance of subcontractors on an annual basis.

The following table sets forth the turnover days of progress payments receivable (calculated as the average of beginning and ending progress payments receivable for the year/period divided by revenue for the year/period and multiplied by the number of days in the year/period) for the Track Record Period:

	For the year ended 31 March		For the four months ended 31 July
	2016	2017	2017
Progress payments receivable turnover days	21.7 days	19.6 days	16.2 days

Our Group's credit terms with our customers generally ranged from 14 to 30 days after the work is certified. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, our progress payments receivables turnover days were approximately 21.7 days, 19.6 days and 16.2 days, respectively, which were generally in line with our credit terms granted by our Group to our customers. The decrease in progress payments receivables turnover day was a result of the different timing of settlement made by different customers according to the credit terms granted.

Retention money receivable

The following table sets forth the ageing analysis of the retention money receivable as at the end of each reporting period:

	As at 31 March		As at 31 July
	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts receivable within one year	6,479	6,502	7,021
Amounts receivable after one year	3,352	689	3,746
	<u>9,831</u>	<u>7,191</u>	<u>10,767</u>

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The retention money receivable represent the retention money held up by our customers for contract works. Usually, 10% of each progress payment would be withheld as retention money until the accumulated retention money reaches 5% of the total contract sum. Depending on the contract terms, the release of retention money may vary and generally half of the retention money withheld by our customers will be released to our Group upon practical completion, and the remaining half upon the expiration of the defects liability period.

As at 31 March 2016 and 2017 and 31 July 2017, our retention money receivable amounted to approximately HK\$9.8 million, HK\$7.2 million and HK\$10.8 million, respectively. No provision has been made to the retention money receivable.

Prepayments, deposits and other receivables

The following table sets forth the breakdown of our prepayments, deposits and other receivables as at the end of each reporting period:

	As at 31 March		As at
	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	2,546	5,122	12,418
Deferred listing expenses	–	2,418	2,142
Other receivables	126	374	1,895
	<hr/>	<hr/>	<hr/>
Total	2,672	7,914	16,455
	<hr/>	<hr/>	<hr/>

Our prepayments, deposits and other receivables comprised a prepayment to a supplier, prepayments for expenses, deposits, and other receivables, which increased from approximately HK\$2.7 million as at 31 March 2016 to approximately HK\$7.9 million as at 31 March 2017. The increase was mainly due to the increase in prepayment to a supplier to cope with the increase in number of projects in progress and increase in deferred listing expenses of approximately HK\$2.4 million.

Our prepayments, deposits and other receivables increased from approximately HK\$7.9 million as at 31 March 2017 to approximately HK\$16.5 million as at 31 July 2017. The increase was mainly due to the increase in prepayment to suppliers following to the delivery of our works during the execution stage of our projects in the period in 2017.

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TRADE AND OTHER PAYABLES

The following table sets forth the breakdown of our trade and other payables as at the end of each reporting period:

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Trade payables	13,032	14,836	26,007
Retention payables	3,696	3,314	3,598
Accrued charges	358	2,186	3,982
Receipt in advance	–	1,500	1,500
Dividend payable	700	–	–
Value added tax payable	–	–	100
	<u>17,786</u>	<u>21,836</u>	<u>35,187</u>

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The receipt in advance represented prepayment received from one customer for variation orders taken place after the Track Record Period and which were subsequently recognised as cost of services. The increase in accrued charges was mainly attributed to the legal and professional expenses in relation to the listing accrued as at 31 March 2017 and 31 July 2017.

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Trade payables

The following table sets forth an ageing analysis of trade payables, based on the invoice date at the end of each reporting period:

	As at 31 March		As at
	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	11,389	10,392	20,563
31 to 60 days	1,173	3,013	115
61 to 90 days	34	989	225
Over 90 days	436	442	5,104
	<u>13,032</u>	<u>14,836</u>	<u>26,007</u>

Our trade payables mainly comprised payables for building material costs and subcontracting charges. As at 31 March 2016 and 2017 and 31 July 2017, our trade payables amounted to approximately HK\$13.0 million, HK\$14.8 million and HK\$26.0 million, respectively.

The following table sets forth the turnover days of trade payables (calculated as the average of beginning and ending trade payables balances for the year/period, divided by cost of services for the year/period, multiplied by the number of days in the year/period) for the Track Record Period:

	As at 31 March		As at
	2016	2017	31 July
			2017
Trade payables turnover days	19.4 days	56.5 days	49.7 days

During the Track Record Period, we generally settle our trade payables within 60 days with our suppliers. The trade payables turnover days for the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017 was approximately 19.4 days, 56.5 days and 49.7 days, respectively. As compared to the trade payables turnover days as at 31 March 2016, the increases were mainly due to the increase in the amount of subcontractor billings for installation works close to year/period end date as at 31 March 2017 and 31 July 2017.

Up to the Latest Practicable Date, approximately HK\$25.9 million or 99.6% of our trade payables as at 31 July 2017 had been settled.

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Retention payables

Retention payables are held from our subcontractors for installation works and will be released upon completion of their subcontracting works. The following table sets forth an ageing analysis of our retention payables based on invoice date as at the end of each reporting period:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Within one year	1,642	2,772	2,400
Over one year	2,054	542	1,198
	<u>3,696</u>	<u>3,314</u>	<u>3,598</u>

AMOUNT DUE FROM/TO A DIRECTOR

Amount due from a director represented the advance to Mr. Chow of approximately HK\$7.4 million, nil and nil as at 31 March 2016 and 2017 and 31 July 2017, respectively. The amount was unsecured, interest-free and repayable on demand.

Amount due to a director represented the payable to Mr. Chow. As at 31 March 2016 and 2017, the balance was approximately HK\$3.3 million with interest at 6% per annum, and approximately HK\$7.1 million which was interest-free, respectively. As at 31 July 2017, the amount due to Mr. Chow was approximately HK\$10.8 million, among which approximately HK\$8.1 million was interest-free and the remaining approximately HK\$2.7 million carried interest at 4% per annum. The amounts due to Mr. Chow were all unsecured, repayable on demand and non-trade in nature during the Track Record Period, and had been settled as at the Latest Practicable Date.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as at the dates indicates:

	As at 31 March		As at	As at
	2016	2017	31 July	30 November
	HK\$'000	HK\$'000	2017	2017
			HK\$'000	HK\$'000
				(unaudited)
Current liabilities				
Bank borrowings and bank overdrafts				
– Secured and guaranteed	23,833	27,076	45,634	66,367
– Unsecured and guaranteed	3,575	14,823	16,000	16,733
Amount due to a director (unsecured and unguaranteed)	<u>3,260</u>	<u>7,055</u>	<u>10,780</u>	<u>16,367</u>
	<u>30,668</u>	<u>48,954</u>	<u>72,414</u>	<u>99,467</u>

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Our Group recorded indebtedness of approximately HK\$30.7 million, HK\$49.0 million and HK\$72.4 million as at 31 March 2016 and 2017 and 31 July 2017, respectively. Our indebtedness was primarily from bank borrowings and bank overdrafts of approximately HK\$27.4 million, HK\$41.9 million and HK\$61.6 million and amount due to a director of approximately HK\$3.3 million, HK\$7.1 million and HK\$10.8 million, respectively as of 31 March 2016 and 2017 and 31 July 2017, which were used for financing our daily operations.

As at 30 November 2017, our Group had a total available banking and other facilities of approximately HK\$133.6 million, of which approximately HK\$93.5 million was utilised and approximately HK\$40.1 million was unutilised and available for use.

As at the Latest Practicable Date, the bank borrowing agreements in respect of certain of the above bank borrowings and overdrafts contain specific financial covenants which stipulate a loan to invoice ratio of up to a range of 50% to 100% in respect of account receivable financing, account payable financing, and factoring. Save for the aforesaid, there were no other specific financial covenants which the Group were subjected to. Our Directors confirm that our Group has not experienced any difficulties in obtaining bank borrowings or any default in repayment on bank borrowings nor breached any major covenant of our bank borrowings during the Track Record Period and up to the Latest Practicable Date.

Bank borrowings and bank overdrafts

Our Group's bank borrowings and bank overdrafts were mainly used to finance the working capital of our Group. All our bank borrowings and bank overdrafts were denominated in Hong Kong dollar and arranged at floating rates. The following table sets forth a breakdown of the status of our bank borrowings and bank overdrafts as at the respective reporting dates:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Current liabilities			
<i>Interest-bearing bank borrowings and bank overdrafts</i>			
Bank overdrafts (<i>note (a) and (c)</i>)	4,860	3,990	3,808
Bank loans subject to repayment on demand clause (<i>notes (b) and (c)</i>)			
– Bank loans due for repayment within one year	9,715	28,992	49,702
– Bank loans due for repayment after one year	12,833	8,917	8,124
	22,548	37,909	57,826
	27,408	41,899	61,634

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Notes:

- a. As at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017, our Group had bank overdrafts of approximately HK\$4.9 million, HK\$4.0 million, HK\$3.8 million and HK\$7.9 million respectively, which were primarily utilised for short term working capital purposes. The interest rates of our bank overdrafts as at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017 granted under banking facilities ranging from 3.85% to 4.2%, 3.45% and 3.45% to 4.10% per annum respectively.
- b. As at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017, our Group had bank loans of approximately HK\$22.5 million, HK\$37.9 million, HK\$57.8 million and HK\$75.2 million respectively, which were primarily utilised for working capital purposes. The interest rates of our bank loans as at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017 granted under banking facilities ranged from 1.93% to 4.25%, 2.15% to 4.25%, 2.15% to 3.45% and 2.15% to 4.07% per annum respectively.
- c. Our banking facilities and bank borrowings (including bank loans and bank overdrafts) as at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017 are secured and/or guaranteed by:
 - (i) Our Group's pledged bank deposit of approximately HK\$3.8 million, HK\$2.0 million, HK\$2.0 million and HK\$5.0 million as at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017 respectively.
 - (ii) Fixed charges against our Group's assets, including legal deeds of assignment of rights, title and interests on certain construction contracts.
 - (iii) Legal charge over one property owned by a related company of our Group, which is owned by Mr. Chow as at 31 March 2016. Such security was released during the year ended 31 March 2017.
 - (iv) Legal charge over one property, which is owned by Mr. Yu as at 31 March 2017, 31 July 2017 and 30 November 2017.
 - (v) Legal charge over one property owned by a related company of our Group, which is owned by Mr. Chow and his close family members as at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017.
 - (vi) Legal charge over one property owned by a related company of our Group, which is co-owned by Mr. Chow, his close family members and other third parties as at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017.
 - (vii) Legal charge over two properties owned by a related company of our Group, which is owned by Mr. Chow's sons as at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017.
 - (viii) Personal guarantees from Mr. Chow and Mr. Yu.
 - (ix) Guarantee by the Government of The Hong Kong Special Administrative Region under Small and Medium Enterprise Loan Guarantee Scheme as at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017.
 - (x) Guarantee by The Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme as at 31 March 2017, 31 July 2017 and 30 November 2017.

Our bank borrowings and bank overdrafts increased by approximately 52.9% from approximately HK\$27.4 million as at 31 March 2016 to HK\$41.9 million as at 31 March 2017, which further increased by approximately 47.0% to HK\$61.6 million and approximately 34.9% to HK\$83.1 million as at 31 July 2017 and 30 November 2017 respectively. As there is normally a timing difference between our works performed by the end of each month and the issuance of corresponding payment certificates and subsequent settlement by our customers, the increase was primarily because we used bank borrowings and bank overdrafts to satisfy our working capital needs following the delivery of our works for the seven projects which are in the execution stage. In addition, a total of approximately HK\$26.1 million of amounts receivable on contract work as at 31 July 2017 in relation to two on-going projects located at Luen Hing Street and Oi Kan Road was withheld by our customers. Please refer to the

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subsection headed “Analysis of various items from the combined statements of financial position – Amount receivable/payable on contract work” of this section for the status of progress billing and subsequent settlement.

The abovementioned legal charge over the properties and personal guarantees existed at the date of this prospectus will be fully released, discharged or replaced by corporate guarantees or other securities provided by our Group upon the Listing.

CAPITAL EXPENDITURES AND COMMITMENTS

For the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017, we incurred capital expenditure for acquisition of property, plant and equipment of approximately HK\$36,000, HK\$0.7 million and HK\$0.2 million, respectively. The following table sets forth our Group’s capital expenditure during the Track Record Period:

	Year ended 31 March		Four months ended 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Leasehold improvements	–	327	–
Furniture and office equipment	36	335	236
	<u>36</u>	<u>662</u>	<u>236</u>

We had no material capital commitments as at 31 March 2016 and 2017 and 31 July 2017.

CONTRACTUAL COMMITMENTS

Operating lease commitments

The following tables sets forth the total future minimum lease payments under non-cancellable operating leases which are payable as follows:

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Within one year	373	1,404	1,241
Between one to two years	–	559	261
	<u>373</u>	<u>1,963</u>	<u>1,502</u>

Operating lease payments represent rentals payable by our Group for its rented premises. Leases are negotiated for terms ranging from one to two years.

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CONTINGENT LIABILITIES

Our Group provided guarantees in respect of the surety bonds in favour of the customers of certain construction contracts. Details of these guarantees as at the respective reporting dates as follows:

	As at 31 March		As at 31 July 2017	As at 30 November 2017
	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Surety bond issued in favour of a customer	3,800	–	–	10,360

The collaterals provided by our Group for issuing the surety bonds are disclosed in the sub-section headed “Indebtedness – Bank borrowings” in this section.

During the Track Record Period, we have been involved in certain litigation and claims details of which are disclosed in the section headed “Business – Legal proceedings and material claims” of this prospectus. Our Directors are of the opinion that the litigation and claims are not expected to have a material impact on our financial position or results of operations. As at the Latest Practicable Date, we were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, we expect would materially and adversely affect our financial positions or results of operations.

Save as disclosed above and apart from intra-group liabilities, we did not have, at the close of business on 30 November 2017, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

SUFFICIENCY OF WORKING CAPITAL

After taking into account the financial resources available to us including our internally generated funds, the available banking facilities and the estimated net proceeds from the Share Offer, our Directors are of the opinion that we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

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KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios during the Track Record Period:

Key financial ratios	Formulae	As at/for the year ended 31 March		As at/for the four months ended 31 July
		2016	2017	2017
Current ratio	Current assets/current liabilities	1.2	1.3	1.2
Quick ratio	(Current assets - inventories) / current liabilities	1.2	1.3	1.2
Gearing ratio	Total debt / total equity x 100% (Note)	246.7%	249.6%	378.0%
Interest coverage	Profit before interest and tax / finance costs	22.9	9.3	1.5
Return on assets	Net profit / total assets x 100%	25.4%	7.9%	-0.4%
Return on equity	Net profit / total equity x 100%	132.1%	36.6%	-2.4%
Net profit margin	Net profit / revenue x 100%	9.5%	6.6%	-0.8%

Note: Total debt includes bank borrowings, bank overdrafts and amount due to a director.

Net profit margin

Our net profit margin decreased from approximately 9.5% for the year ended 31 March 2016 to approximately 6.6% for the year ended 31 March 2017 and approximately -0.8% for the four months ended 31 July 2017. Please refer to the sub-section headed “Principal components of results of operations – Profit and total comprehensive income for the year” in this section.

Return on assets

Our return on assets decreased from approximately 25.4% for the year ended 31 March 2016 to approximately 7.9% for the year ended 31 March 2017. The decrease in our return on assets was due to the decrease in net profit from approximately HK\$16.4 million for the year ended 2016 to approximately HK\$7.2 million for the year ended 31 March 2017 and the increase in amount receivables on contract work from approximately HK\$30.1 million as at 31 March 2016 to approximately HK\$58.9 million as at 31 March 2017.

Our return on assets decreased from approximately 7.9% for the year ended 31 March 2017 to approximately -0.4% for the four months ended 31 July 2017. The decrease in the return on assets was mainly due to the decrease in profit for the period as a result of increase in listing expenses recognised during the period and only results of operation in the four months of 2017 were taken into account.

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Return on equity

Our return on equity decreased from approximately 132.1% for the year ended 31 March 2016 to approximately 36.6% for the year ended 31 March 2017, mainly due to the percentage decrease of approximately 56.3% in net profit and the percentage increase of approximately 57.8% in equity for the year ended 31 March 2017. The increase in equity was mainly due to the recognition of net profit of approximately HK\$7.2 million for the year ended 31 March 2017.

Our return on equity decreased from approximately 36.6% for the year ended 31 March 2017 to approximately -2.4% for the four months ended 31 July 2017. The decrease in the return on equity was mainly due to the decrease in profit for the period as a result of increase in listing expenses recognised during the period and only results of operation in the four months of 2017 were taken into account.

Interest coverage

Interest coverage of our Group amounted to approximately 22.9 times and 9.3 times for each of the two years ended 31 March 2017, respectively. The decrease of our interest coverage was primarily due to the decrease in profit before tax by approximately 51.9% and the increase in finance costs by approximately 27.0%. For more details, please refer to the sub-sections headed “Principal components of results of operations” in this section. The increase in finance cost was mainly due to increase in bank borrowings and bank overdrafts for the year ended 31 March 2017 amounted to approximately HK\$14.5 million for working capital purpose.

Interest coverage decreased from approximately 9.3 times for the year ended 31 March 2017 to approximately 1.5 times for the four months ended 31 July 2017. The decrease in the interest coverage was mainly due to decrease in profit for the period as a result of listing expenses recognised during the period.

Gearing ratio

Gearing ratio increased from approximately 246.7% to approximately 249.6% as at 31 March 2016 and 2017, respectively. Such increase was primarily due to increase in bank borrowings and bank overdrafts of approximately HK\$14.5 million and amount due to a director of approximately HK\$3.8 million, partly offset by the increase in equity of approximately HK\$7.2 million. The increase in debts was mainly for working capital purpose for commencement stage of several new projects.

Gearing ratio increased from approximately 249.6% to approximately 378.0% as at 31 March 2017 and 31 July 2017, respectively. Such increase was primarily due to increase in bank borrowings and bank overdrafts of approximately HK\$19.7 million and amount due to a director of approximately HK\$3.7 million. The increase in debts was mainly for working capital purpose for commencement stage of several new projects.

Current ratio

Current ratios remained steady at 1.2 and 1.3 as at 31 March 2016 and 2017. It was primarily a net result of the increases in both amounts receivable on contract work and bank

FINANCIAL INFORMATION

borrowings. Increase in amounts receivable on contract work was due to construction costs incurred for several projects undertaken by our Group during the respective year has not yet certified by the customers as at 31 March 2017 and these costs including building material costs, subcontracting charges for design and installation services.

Current ratios remained steady at 1.3 and 1.2 as at 31 March 2017 and 31 July 2017 respectively. It was primarily a net result of the increases in both amounts receivable on contract work and bank borrowings. The increase in amounts receivable on contract work as at 31 July 2017 was mainly attributed to four projects in progress undertaken by our Group during the respective year and one substantially completed project at Lee Tung Street. To the best knowledge of the Directors, the project at Lee Tung Street is in the stage of concluding final account as at Latest Practicable Date, payment certificate will be issued by the customer once the final account of project is concluded by the main contractor and developer.

Quick ratio

Quick ratios were the same as current ratios as our Group does not hold any stocks.

FINANCIAL RISK MANAGEMENT

Our Group is exposed to market risk, credit risk, interest rate risk and liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out in the section headed “Notes to Historical Financial Information – 28. Financial Instruments” in Appendix I to this prospectus.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group had certain related party transactions, detail of which are set out in the section headed “Notes to Historical Financial Information – 30. Related party transactions” in Appendix I to this prospectus. Our Directors confirm that such transactions were conducted on an arm’s length basis and were fair and reasonable and in the interests of our Shareholders as a whole.

DIVIDENDS

No dividend has been paid or declared by our Company since its incorporation. For the year ended 31 March 2016, a subsidiary of our Company declared and paid dividends of approximately HK\$6.5 million to their shareholders. Such dividends had fully been paid and we financed the payment of such dividends by our internal resources.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend

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trends. We do not have any predetermined dividend payout ratio. There will be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution recorded 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.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 25 May 2017. As at 31 July 2017, our Company did not have reserve available for distribution.

LISTING EXPENSES

Assuming the Offer Price of HK\$0.3 per Share, being the mid-point of the indicative Offer Price range, the total amount of listing expenses and commissions in connection with the Share Offer is estimated to be approximately HK\$25.8 million.

Of the aggregate listing expenses of HK\$25.8 million, approximately HK\$10.3 million directly attributable to the issue of new Shares is to be accounted for as a deduction from equity. Of the remaining HK\$15.5 million, approximately HK\$2.8 million and HK\$4.0 million were charged to the profit or loss for the year ended 31 March 2017 and the four months ended 31 July 2017, respectively, and the remaining amount of approximately HK\$8.7 million will be charged to the profit or loss for the eight months ending 31 March 2018. Expenses in relation to the Listing are non-recurring in nature.

MATERIAL ADVERSE CHANGE

Save as the aforementioned approximately HK\$15.5 million of the listing expenses, of which partly were charged and partly will be charged to our profit or loss, the directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 July 2017 (being the date to which the latest audited combined financial statements of our Group were prepared), and there is no event since 31 July 2017 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF OUR GROUP

The following is an unaudited pro forma statement of adjusted combined net tangible assets of our Group attributable to owners of our Company (the "Pro Forma Financial Information") prepared in accordance with Rule 7.31 of the GEM Listing Rules for illustrative purpose only, and is set out below to illustrate the effect of the proposed listing of our share on the Stock Exchange by way of Public Offer (the "Public Offer") of 20,000,000 Public Offer Shares and Placing (the "Placing") of 180,000,000 new Shares on our combined net tangible assets attributable to owners of our Company as at 31 July 2017 as if the Public Offer and the Placing had taken place on 31 July 2017.

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The unaudited Pro Forma Financial Information has been prepared based on the judgements, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group attributable to owners of our Company as at 31 July 2017 or any future dates following the Public Offer and Placing.

	Audited combined net tangible assets of our Group attributable to owners of our Company as at 31 July 2017 HK\$'000 (Note 1)	Estimated net proceeds from the Public Offer and the Placing of New shares HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company HK\$'000	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share HK\$ (Note 3)
Based on an Offer Price of HK\$0.25 per Share	19,159	31,849	51,008	0.06
Based on an Offer Price of HK\$0.35 per Share	19,159	49,949	69,108	0.09

Notes:

- (1) The audited combined net tangible assets of our Group attributable to owners of our Company as of 31 July 2017 is extracted from the "Accountants' Report" as set out in Appendix I to this prospectus, which is based on the audited combined net tangible assets of our Group attributable to owners of our Company as of 31 July 2017 of approximately HK\$19,159,000.
- (2) The estimated net proceeds from the Public Offer and the Placing of New Shares are based on 20,000,000 and 180,000,000 Shares to be offered by our Company and the Offer Prices of HK\$0.25 per Share and HK\$0.35 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding approximately HK\$6,715,000 of listing expenses charged to profit or loss prior to 31 July 2017) in connection with the Public Offer and the Placing.
- (3) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share is calculated based on 800,000,000 shares expected to be in issue immediately following the completion of the Public Offer and the Placing. It has not taken into account any shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to the Directors after 31 July 2017.
- (4) No adjustment has been made to the audited combined net tangible assets of our Group attributable to owners of our Company as at 31 July 2017 to reflect any trading result or other transaction of our Group entered into subsequent to 31 July 2017.

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DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Joint Bookrunners and Joint Lead Managers

Future Land Resources Securities Limited

Huabang Securities Limited

Underwriters

Future Land Resources Securities Limited

Huabang Securities Limited

Sunfund Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Stock Exchange and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

Any of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters and the Sole Sponsor) shall have the absolute right to terminate the Public Offer Underwriting Agreement by notice in writing to our Company with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if prior to the Termination Time:

- (a) there has come to the notice of the Sole Sponsor, the Joint Bookrunners or any of the Public Offer Underwriters:

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- (i) any matter or event showing any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party thereto (other than any of the Sole Sponsor, the Joint Bookrunners, the Co-Lead Manager and the Public Offer Underwriters) which, in any such cases, is considered, in the sole and absolute opinion of any of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), to be material in the context of the Share Offer; or
- (ii) any statement contained in this prospectus, the post hearing information pack, the Application Forms, the formal notice and any announcements issued by our Company (including any supplement or amendment to each of the said documents) has become or been discovered to be untrue, incorrect or misleading in any respect which is considered, in the sole and absolute opinion of any of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), to be material in the context of the Share Offer; or
- (iii) any event, series of events, matter or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being an event, matter or circumstance which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading in any respect, and which is considered, in the sole and absolute opinion of any of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), to be material in the context of the Share Offer; or
- (iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of any of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), a material omission in the context of the Share Offer; or
- (v) any event, act or omission which gives or is likely to give rise to any liability of our Company or any of the executive Directors or any of our Controlling Shareholders arising out of or in connection with the breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or
- (vi) any breach by any party to the Public Offer Underwriting Agreement (other than the Sole Sponsor, the Joint Bookrunners, the Co-Lead Manager and the

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Underwriters) of any provision of the Public Offer Underwriting Agreement which, in the sole and absolute opinion of any of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), is material; or

- (b) there shall have developed, occurred, existed, or come into effect any event or series of events, matter or circumstance whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
 - (i) any new law or regulation or any change in existing laws or regulations, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business and/or operation of our Group (the “**Relevant Jurisdictions**”); or
 - (ii) any change in, or any event or series of events or development resulting or likely to result in any change in local, regional or international financial, equity securities, currency, political, military, industrial, economic, stock market or other market conditions or prospects in or affecting the Relevant Jurisdictions; or
 - (iii) any change in the system under which the value of the HK dollars or Renminbi is linked to that of the US dollars or any other foreign currency; or
 - (iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in the Relevant Jurisdictions; or
 - (vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or
 - (vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the Relevant Jurisdictions; or
 - (viii) a general moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance service in or affecting the Relevant Jurisdictions; or

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- (ix) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism (whether or not responsibility has been claimed), strike or lock-out; or
- (x) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting the Relevant Jurisdictions; or
- (xi) a demand by any creditor for repayment or payment of any material indebtedness of any other member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xii) 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); or
- (xiii) a petition 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 anything analogous thereto occurs in respect of any member of our Group; or
- (xiv) any litigation or claim of importance of any third party being instigated or threatened against any member of our Group,

which, in the sole and absolute opinion of any of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

- (i) is or will be, or is likely to be, adverse to the business, financial, trading or other conditions or prospects of our Group taken as a whole or any member of our Group; or
- (ii) has or will have or is likely to have an adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or
- (iii) for any other reason makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Share Offer as a whole.

For the above purpose:

- (i) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or a devaluation of Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and

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- (ii) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Lock-up 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 and the grant and exercise of any options under the Share Option Scheme, no further Shares or securities convertible into equity securities (whether or not of a class already listed) of our Company will be issued by us or form the subject of any agreement to such issue by us within six months from the date on which the Shares first commence dealings on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except for the 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 our Controlling Shareholders has undertaken to the Stock Exchange, our Company, the Sole Sponsor, the Joint Bookrunners and the Underwriters that except as permitted under the GEM Listing Rules and pursuant to the Share Offer, he/it shall not and shall procure that the relevant registered holder(s) of the Shares shall not:

- (i) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company as set out in this prospectus and ending on the date which is six months (the “**First Six-month Period**”) from the date on which the Shares first commence trading on the GEM, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner (within the meaning of Rule 13.16A(2) of the GEM Listing Rules); and
- (ii) in the period of six months commencing on the date immediately following the date on which the First Six-month Period expires (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any securities referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be controlling shareholder(s) (as defined in the GEM Listing Rules) of our Company.

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Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders, jointly and severally, has undertaken to the Stock Exchange, our Company, the Sole Sponsor, the Joint Bookrunners and the Underwriters that he/it will, within a period of commencing from the date of this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform the Company and the Stock Exchange of:

- (i) any pledges or charges of any Shares or securities of our Company beneficially owned by him/it, whether directly or indirectly, in favour of any authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Rule 13.18(1) of the GEM Listing Rules, and the number of such Shares or securities so pledged or charged; and
- (ii) any indication received by him/it, either verbal or written, from any pledgee or charge of any Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of and the number of Shares or securities affected.

Pursuant to Rule 13.20 of the GEM Listing Rules, in the event that our Company has been informed of any matter under Rule 13.19 of the GEM Listing Rules as described above, we shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

Lock-up undertakings to the Public Offer Underwriters

Undertakings by our Company

Except pursuant to the Capitalisation Issue, the Share Option Scheme and the Share Offer, during the First Six-month Period, our Company has undertaken to each of the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Sole Sponsor and the Public Offer Underwriters not to, and to procure each member of our Group not to, without the prior written consent of the Joint Bookrunners and the Sole Sponsor and except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules:

- (a) offer, allot, issue or sell, or agree to allot, issue or sell, hedge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities; or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

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- (d) offer or agree to do any of the foregoing transactions and publicly disclose any intention to effect such transaction,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of our Company, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Sole Sponsor and the Public Offer Underwriters that, except for any pledge or charge of Shares (in respect of which our Controlling Shareholders are shown in this prospectus as the beneficial owner) by our Controlling Shareholders as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, without the prior written consent of the Joint Bookrunners and the Sole Sponsor:

- (a) he/it will not, at any time during the First Six-month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) beneficially owned by he/it as at the Listing Date (the “**Locked-up Securities**”), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Locked-up Securities, or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- (b) he/it will not, during the period of 6 months commencing on the date on which the First Six-month Period expires (the “**Next 6-Month Period**”), enter into any of the transactions specified in (i), (ii) or (iii) under paragraph (a) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a “controlling shareholder” (as defined in the GEM Listing Rules) of our Company;

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- (c) if he/it enters into any of the transactions specified in (i), (ii) or (iii) under paragraph (a) above or offer to or agree to or announce any intention to effect any such transaction during the Next 6-Month Period, he/it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares of any other securities of our Company; and
- (d) without prejudice to the undertakings as referred to in paragraphs (a) and (b) above, during the period commencing on the date by reference to which disclosure of its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it shall:
 - (i) when he/it pledges or charges or otherwise create any rights or encumbrances over any Locked-up Securities in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company, the Joint Bookrunners and the Sole Sponsor of such pledge or charge or creation of the rights or encumbrances together with the number of the securities so pledged or charged and all other information as may be reasonably requested by our Company, the Joint Bookrunners and/or the Sole Sponsor; and
 - (ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Locked-up Securities as mentioned in sub-paragraph (i) above, when he/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform our Company of such indications, and inform (or procure our Company to inform) the Joint Bookrunners and the Sole Sponsor as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

Each of our Controlling Shareholders has also undertaken and covenanted with our Company, the Joint Bookrunners, the Public Offer Underwriters, the Sole Sponsor and the Underwriters that he/it shall comply with the requirements of Rules 13.16A, 13.18 and 13.19 of the GEM Listing Rules and to procure that our Company shall comply with the requirements under Rules 13.19 and 13.20 of the GEM Listing Rules.

UNDERWRITING

The Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, *inter alia*, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement. Under the Placing Underwriting Agreement, our Company will offer our Placing Shares for subscription and purchase by professional, institutional and other investors at the Offer Price payable in full on subscription and purchase in Hong Kong dollars, on and subject to the terms and conditions set out in the Placing Underwriting Agreement and the placing documents. It is expected that the Placing Underwriter(s) will agree to underwrite for the Placing Shares.

COMMISSION AND EXPENSES

The Underwriters are expected to, receive a gross underwriting commission of 9.5% of the aggregate Offer Price payable for the Offer Shares underwritten by them, out of which they shall pay any sub-underwriting commissions. The Sole Sponsor will receive a document and advisory fee.

Assuming the Offer Price of HK\$0.30 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$25.8 million in total.

SOLE SPONSOR'S, JOINT BOOKRUNNERS' AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee and a documentation fee and advisory fee. The Joint Bookrunners and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the sub-section headed "Commission and expenses" above in this section.

We have appointed Sunfund Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the 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 our financial results for the first full year commencing after the Listing Date.

Save as disclosed above, none of the Sole Sponsor, the Joint Bookrunners and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of members of our Group nor any interest in the Share Offer.

UNDERWRITING

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises:

- (a) the Public Offer of 20,000,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the sub-section headed “The Public Offer” in this section; and
- (b) the Placing of an aggregate of 180,000,000 Offer Shares (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional and/or other investors under the Placing.

Investors may apply for Offer Shares under the Public Offer or apply for or indicate an interest for Offer Shares under the Placing, but may not do both. References in this prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Public Offer.

The Offer Shares will represent 25% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue.

CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among other things:

- (a) the Listing Department of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and Capitalisation Issue (including any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme);
- (b) the Offer Price having been duly determined; and
- (c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Bookrunners (for themselves and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with its terms,

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 30th day after the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published on our Company's website at www.polyfaircurtainwall.com.hk and the Stock Exchange's website at www.hkexnews.hk on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for the Public Offer Shares" of this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 20,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Offer Shares between the Public Offer and the Placing, the Public Offer Shares will represent 2.5% of the total issued share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue. The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and/or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the sub-section headed "Conditions of the Share Offer" in this section.

Allocation

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 over-subscription 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) if the number of the Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 60,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer;
- (b) if the number of the Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the number of Offer Shares available under the Public Offer will be 80,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer; and
- (c) if the number of the Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 100,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

In addition, if the Public Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any of the unsubscribed Public Offer Shares to the Placing.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he is making 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, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially comprised in the Public Offer are liable to be rejected.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applicants under the Public Offer are required to pay, on application, the Offer Price of HK\$0.35 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. Further details are set out below in the section headed “How to apply for the Public Offer Shares” of this prospectus.

THE PLACING

Number of Offer Shares offered

The Placing will consist of an initial offering of 180,000,000 Offer Shares (subject to reallocation), representing 90% of the total number of Offer Shares initially available under the Share Offer and 22.5% of the total issued share capital immediately after completion of the Share Offer and the Capitalisation Issue. The Placing will be offered by us to professional, institutional and/or other investors in Hong Kong.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriters. The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the bookbuilding process described in the paragraph headed “The Public Offer – Allocation” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Bookrunners may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

OFFER PRICE

Determination of the 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 Wednesday, 7 February 2018 or such later date as may be agreed between the Joint Bookrunners (for themselves and on behalf of

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

the Underwriters) and our Company. If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Wednesday, 7 February 2017 or such later date as may be agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not become unconditional and will not proceed. The Joint Bookrunners (for themselves 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.polyfaircurtainwall.com.hk an announcement of such change on or before the Price Determination Date. 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.

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.polyfaircurtainwall.com.hk a notice of the change and if applicable the revised date.

Offer Price range

The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus unless otherwise announced.

Price payable on application

The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.35 per Offer Share plus 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$2,828.22 per board lot of 8,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.35 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.

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION

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.polyfaircurtainwall.com.hk on Thursday, 22 February 2018.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

UNDERWRITING AGREEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is conditional upon the Placing Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Placing Underwriters expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting” of this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 23 February 2018. The Shares will be traded in board lots of 8,000 Shares each. The stock code for the Shares is 8532.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on GEM and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or 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. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares. To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a director or chief executive officer of our Company and/or any of our subsidiaries;
- a core connected person (as defined in the GEM Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- an associate (as defined in the GEM Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Form

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 January 2018 until 12:00 noon on Monday, 5 February 2018 from:

- (i) the following addresses of the Public Offer Underwriters:

the offices of the Joint Bookrunners and the Joint Lead Managers:

Future Land Resources Securities Limited

6/F, Winbase Centre
208 Queen's Road Central
Central
Hong Kong

Huabang Securities Limited

Unit 2901-02, 29/F
Enterprise Square Two
3 Sheung Yuet Road
Kowloon Bay, Kowloon
Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

the office of the Co-Lead Manager:

Sunfund Securities Limited

Unit 702-3, 7/F

100 Queen's Road Central

Hong Kong

(ii) any of the following branches of DBS Bank (Hong Kong) Limited:

District	Branch name	Address
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	North Point Branch	G/F, 391 King's Road, North Point
Kowloon	Nathan Road – SME Banking Centre	2/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
	Kowloon Bay – SME Banking Centre	Shop 6, G/F, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 January 2018 until 12:00 noon on Monday, 5 February 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 "**Ting Hong Nominees Limited – Polyfair Holdings Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 31 January 2018 – 9:00 a.m. to 5:00 p.m.
Thursday, 1 February 2018 – 9:00 a.m. to 5:00 p.m.
Friday, 2 February 2018 – 9:00 a.m. to 5:00 p.m.
Saturday, 3 February 2018 – 9:00 a.m. to 1:00 p.m.
Monday, 5 February 2018 – 9:00 a.m. to 12:00 noon

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Monday, 5 February 2018, the last application day or such later time as described in "10. Effect of bad weather on the opening of the application lists".

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you (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 for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (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 Companies (WUMP) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Co-Lead Manager, 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 Joint Bookrunners, the Co-Lead Manager, 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 Joint Bookrunners, the Co-Lead Manager, 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 (a) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) and/or e-Auto Refund payment instructions to you or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect 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, our Directors, the Sole Sponsor, the Joint Bookrunners and the Co-Lead Manager will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) 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 (b) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM

General

Individuals who meet the criteria in the sub-section headed “2. Who can apply” in this section, may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** Service Provider are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 31 January 2018 until 11:30 a.m. on Monday, 5 February 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 5 February 2018 or such later time under the sub-section headed “10. Effects of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instructions given by you or for your benefit through the **HK eIPO White Form** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from 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 Joint Bookrunners 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 Offer Shares under the Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (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 Sponsor, the Joint Bookrunners and the Co-Lead Manager 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 Sponsor, the Joint Bookrunners, the Co-Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Sole Sponsor, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Co-Lead Manager, 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 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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving the **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 (WUMP) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- 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 fee, 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 fee, 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 8,000 Public Offer Shares. Instructions for more than 8,000 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 (*Note*)

Wednesday, 31 January 2018	–	8:00 a.m. to 8:30 p.m.	^(Note)
Thursday, 1 February 2018	–	8:00 a.m. to 8:30 p.m.	^(Note)
Friday, 2 February 2018	–	8:00 a.m. to 8:30 p.m.	^(Note)
Saturday, 3 February 2018	–	8:00 a.m. to 1:00 p.m.	^(Note)
Monday, 5 February 2018	–	8:00 a.m. ^(Note) to 12:00 noon	

Note:

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 Wednesday, 31 January 2018 until 12:00 noon on Monday, 5 February 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 5 February 2018, the last application day or such later time as described in “10. Effect of bad weather on the opening of the Application Lists” in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Co-Lead Manager, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Public Offer Shares through **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facility is 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 Sponsor, the Joint Bookrunners, the Co-Lead Manager, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** Service Provider 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 Monday, 5 February 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH 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 fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 8,000 Public Offer Shares. Each application or electronic application instructions in respect of more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage fee 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”.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 5 February 2018. 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 Monday, 5 February 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications 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, 22 February 2018 on our Company’s website at www.polyfaircurtainwall.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 dates and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.polyfaircurtainwall.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 22 February 2018;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 22 February 2018 to 12:00 midnight on Wednesday, 28 February 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 22 February 2018 to Tuesday, 27 February 2018 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 22 February 2018 to Monday, 26 February 2018 at all the receiving bank’s designated branches listed above in “3. Applying for Public Offer Shares”.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP Ordinance)) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division does not grant permission to list our 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 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 electronic application instructions through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it 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 available for subscription under the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.35 per Offer Share (excluding brokerage fee, 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 Public Offer” or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 22 February 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Forms, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the 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 fee, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

around Thursday, 22 February 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 23 February 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 22 February 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 22 February 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 22 February 2018, 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, 22 February 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

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- *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 apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "11. Publication of results" above.

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 22 February 2018 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 the CCASS Internet System.

(iii) If you apply through the HK eIPO White Form

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 22 February 2018, or such other date as notified by our Company on our website at www.polyfaircurtainwall.com.hk and the website of the Stock Exchange at www.hkexnews.hk as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 22 February 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

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Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 22 February 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "11. Publication of results" above on Thursday, 22 February 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 22 February 2018 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, 22 February 2018. 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 fee, 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, 22 February 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-36, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF POLYFAIR HOLDINGS LIMITED AND SUNFUND CAPITAL LIMITED****Introduction**

We report on the historical financial information of Polyfair Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-36, which comprises the combined statements of financial position as at 31 March 2016, 31 March 2017 and 31 July 2017, the statement of financial position of the Company as at 31 July 2017, 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 the two years ended 31 March 2017 and the four months ended 31 July 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-36 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 January 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("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 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of 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 gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2016, 31 March 2017 and 31 July 2017, of the Company's financial position as at 31 July 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the four months ended 31 July 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the 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 contains information about the dividends declared by the Company's subsidiary and states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 January 2018

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of the Company's indirect wholly owned subsidiary, Polyfair Construction & Engineering Limited ("Polyfair HK") and its subsidiary for the Track Record Period and the management accounts of the Company and Polyfair Group Limited ("Polyfair BVI") for the period from their respective date of incorporation to 31 July 2017 (collectively known as "Underlying Financial Statements"). The consolidated financial statements of Polyfair HK and its subsidiary conformed with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards of Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars 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

		THE GROUP			
		Year ended 31 March		Four months ended 31 July	
		2016	2017	2016	2017
NOTES		HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	6	172,029	109,607	40,135	58,065
Cost of services		(147,060)	(90,056)	(31,992)	(50,096)
Gross profit		24,969	19,551	8,143	7,969
Other income, gain and loss	7	212	148	32	(119)
Administrative expenses		(4,591)	(6,290)	(1,377)	(3,076)
Finance costs	8	(899)	(1,142)	(304)	(526)
Other expenses		—	(2,800)	—	(3,965)
Profit before taxation	9	19,691	9,467	6,494	283
Taxation	11	(3,266)	(2,285)	(1,052)	(742)
Profit (loss) for the year/period		<u>16,425</u>	<u>7,182</u>	<u>5,442</u>	<u>(459)</u>
Other comprehensive income					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange difference arising on translation of foreign operation		—	—	—	4
Other comprehensive income for the year/period		<u>—</u>	<u>—</u>	<u>—</u>	<u>4</u>
Total comprehensive income (expense) for the year/period		<u>16,425</u>	<u>7,182</u>	<u>5,442</u>	<u>(455)</u>

STATEMENTS OF FINANCIAL POSITION

		THE GROUP		THE COMPANY	
		As at 31 March 2016	As at 31 March 2017	As at 31 July 2017	As at 31 July 2017
	NOTES	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment	14	29	649	831	–
Investment in a subsidiary	31	–	–	–	–
		29	649	831	–
Current assets					
Amounts receivable on contract work	15	30,112	58,930	81,732	–
Progress payments receivable	16	8,425	3,354	12,109	–
Retention money receivable	17	9,831	7,191	10,767	–
Prepayments, deposits and other receivables	18	2,672	7,914	16,455	2,142
Amount due from a director	19	7,392	–	–	–
Tax recoverable		–	900	265	–
Pledged bank deposit	20	3,800	2,001	2,001	–
Bank balances and cash	20	2,364	9,465	2,707	–
		64,596	89,755	126,036	2,142
Current liabilities					
Amounts payable on contract work	15	1,502	–	–	–
Trade and other payables	21	17,786	21,836	35,187	2,768
Amount due to a director	19	3,260	7,055	10,780	–
Tax payable		2,237	–	107	–
Bank borrowings	22	26,466	41,899	61,634	–
Bank overdrafts	20	942	–	–	–
		52,193	70,790	107,708	(2,768)
Net current assets (liabilities)		12,403	18,965	18,328	(626)
Total assets less current liabilities		12,432	19,614	19,159	(626)
Capital and reserves					
Share capital	23	3,000	3,000	3,000	–
Reserves		9,432	16,614	16,159	(626)
Total equity		12,432	19,614	19,159	(626)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company (Accumulated loss)			
	Share capital <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015	3,000	–	(543)	2,457
Profit and total comprehensive income for the year	–	–	16,425	16,425
Dividends recognised as distribution (note 12)	–	–	(6,450)	(6,450)
At 31 March 2016 and 1 April 2016	3,000	–	9,432	12,432
Profit and total comprehensive income for the year	–	–	7,182	7,182
At 31 March 2017 and 1 April 2017	3,000	–	16,614	19,614
Loss for the period	–	–	(459)	(459)
Exchange difference arising on translation of foreign operation	–	4	–	4
Total comprehensive income (expense) for the period	–	4	(459)	(455)
At 31 July 2017	3,000	4	16,155	19,159
For the four months ended 31 July 2016 (unaudited)				
At 1 April 2016	3,000	–	9,432	12,432
Profit and other comprehensive income for the period	–	–	5,442	5,442
At 31 July 2016	3,000	–	14,874	17,874

COMBINED STATEMENTS OF CASH FLOWS

	THE GROUP			
	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Operating activities				
Profit before taxation	19,691	9,467	6,494	283
Adjustments for:				
Depreciation	7	42	2	59
Finance costs	899	1,142	304	526
Interest income	—	(5)	—	—
Operating cash flows before movements in working capital	20,597	10,646	6,800	868
Increase in amounts receivable on contract work	(18,047)	(28,818)	(5,402)	(22,802)
Decrease (increase) in progress payments receivable	3,624	5,071	2,045	(8,755)
(Increase) decrease in retention money receivable	(7,320)	2,640	(1,063)	(3,576)
Decrease (increase) in prepayments, deposits and other receivables	5,520	(4,343)	291	(8,166)
(Decrease) increase in amounts payable on contract work	(7,006)	(1,502)	1,955	—
Increase (decrease) in trade and other payables	9,005	4,689	(5,385)	13,041
Cash generated from (used in) operations	6,373	(11,617)	(759)	(29,390)
Hong Kong Profits Tax paid	(1,773)	(5,422)	—	—
Net cash from (used in) operating activities	4,600	(17,039)	(759)	(29,390)
Investing activities				
Interest received	—	5	—	—
Acquisition of property, plant and equipment	(36)	(662)	—	(236)
(Advance to) repayment from a director	(7,392)	7,392	—	—
Placement of pledged bank deposit	(3,800)	(2,001)	—	—
Withdrawal of pledged bank deposit	—	3,800	—	—
Net cash (used in) from investing activities	(11,228)	8,534	—	(236)
Financing activities				
New bank borrowings raised	81,555	77,004	24,816	62,252
Repayment of bank borrowings	(64,131)	(61,571)	(12,337)	(42,517)
Advance from a director	8,935	24,035	1,333	11,884
Repayment to a director	(12,323)	(20,033)	(4,882)	(8,159)
Finance costs paid	(692)	(1,349)	(304)	(526)
Dividend paid	(6,450)	(700)	(350)	—
Issue costs paid	—	(838)	—	(64)
Net cash from financing activities	6,894	16,548	8,276	22,870

	THE GROUP			
	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Net increase (decrease) in cash and cash equivalents	266	8,043	7,517	(6,756)
Cash and cash equivalents at beginning of the year/period	1,156	1,422	2,364	9,465
Effect of foreign exchange rate difference	—	—	—	(2)
Cash and cash equivalents at end of the year/period	<u>1,422</u>	<u>9,465</u>	<u>9,881</u>	<u>2,707</u>
Analysis of cash and cash equivalents:				
Bank balances and cash	2,364	9,465	9,881	2,707
Bank overdrafts	<u>(942)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,422</u>	<u>9,465</u>	<u>9,881</u>	<u>2,707</u>

NOTES TO HISTORICAL FINANCIAL INFORMATION**1. GENERAL**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 25 May 2017. Its Controlling Shareholder is C.N.Y. Holdings Limited ("CNY"), a company incorporated in the British Virgin Islands ("BVI") and is held as to 83% by Mr. Chow Mo Lam ("Mr. Chow") and 17% by Mr. Yu Lap On Stephen ("Mr. Yu"). The address of the Company's registered office and the principal place of business is disclosed in the paragraph headed "Corporate Information" to the Prospectus.

The Company acts as investment holding company and its subsidiaries are principally engaged in construction and engineering business.

The functional currency of the Company is Hong Kong dollars ("HK\$"), which is also the presentation currency of the Company and its principal subsidiaries as set out in note 31.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA.

Before the completion of a group reorganisation as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus (the "Reorganisation"), Polyfair HK was held as to 83% by Mr. Chow and 17% by Mr. Yu. In preparation of the listing of the Company's shares on the GEM of the Stock Exchange (the "Listing"), the companies comprising the Group underwent the Reorganisation as described below.

- (i) On 21 April 2017, CNY was incorporated in the BVI with limited liability, allotted and issued 83 and 17 shares, credited as fully paid at a par value of United States dollar ("US\$") 1, to Mr. Chow and Mr. Yu, respectively.
- (ii) On 25 May 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorised share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and initially one nil paid share was allotted and issued at par to Sharon Pierson as the initial subscriber (who is an independent third party), which was transferred to CNY on the same date, and an additional 99 nil paid shares were allotted and issued at par to CNY on the same date.
- (iii) On 8 June 2017, Polyfair BVI was incorporated in the BVI with limited liability, allotted and issued one share, credited as fully paid at a par value of US\$1 to the Company.
- (iv) On 19 January 2018, Mr. Chow and Mr. Yu transferred the entire issued share capital of Polyfair HK to Polyfair BVI. The consideration was satisfied by allotting and issuing 83 and 17 shares of the Company to Mr. Chow and Mr. Yu, respectively, credited as fully paid and crediting as fully paid at par the 100 nil paid shares in issue. The Company had nominated its direct wholly-owned subsidiary, Polyfair BVI, to hold the entire issued share capital of Polyfair HK. Mr. Chow and Mr. Yu had nominated CNY to hold the 100 new shares. After the above transaction, Polyfair HK is wholly-owned by Polyfair BVI.

The Reorganisation involved incorporation of and interspersing CNY, the Company and Polyfair BVI between Polyfair HK and its shareholders. Upon the completion of the Reorganisation, the Company has become the holding company of the companies now comprising the Group on 19 January 2018. The Group resulting from the Reorganisation is regarded as a continuing entity.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period. The combined statements of financial position of the Group as at 31 March 2016, 31 March 2017 and 31 July 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group, which net assets are combined using the existing carrying values, as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

The Historical Financial Information contained in the Prospectus does not constitute the statutory annual financial statements of Polyfair HK for any of the financial years ended 31 March 2016 and 31 March 2017. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As Polyfair HK is a private company, Polyfair HK is not required to deliver its financial statements to the Registrar of Companies, and have not done so. The auditors of Polyfair HK have reported on the financial statements for the year ended 31 March 2016 and 31 March 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

3. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the HKFRSs, which are effective for the accounting period beginning 1 April 2017 and throughout the Track Record Period.

New or amendments to HKFRSs and interpretations in issue but not yet effective

At the date of this report, the following new and revised standards and amendments have been issued which are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC)-INT 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-INT 23	Uncertainty Over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual period beginning on or after 1 January 2021.

HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured

at fair value through other comprehensive income. 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.

- 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.

In the opinion of the directors of the Company, based on the historical experience of the Group, the default rate of the outstanding balances with customers is low. Hence, the directors of the Company anticipate that the application of HKFRS 9 would not have material impact on the Group's future combined financial statements. The above assessments were made based on an analysis of the Group's financial assets and financial liabilities as at 31 July 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of HKFRS 9, which is expected to be 1 April 2018 as the Group does not intend to early apply the standard, the assessment of the potential impact is subject to change.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company consider that the performance obligation from provision of construction contract work will be satisfied over time and accordingly the revenue will be recognised in same manner. There are two methods that can be used to measure an entity's progress towards complete satisfaction of a performance obligation satisfied over time, include output and input methods.

After assessment, the Group will use input method in measuring the percentage of completion when applying HKFRS 15. When applying input method, the Group would consider if there is any adjustment required to the input method for uninstalled materials, to ensure that the input method meets the objective of measuring progress towards complete satisfaction of a performance obligation. With reference to the past practice, the directors of the Company expect that the Group will not hold significant amount of uninstalled material based on the existing operating model. Thus, the financial impact of the uninstalled materials in the application of HKFRS 15 will be considered as insignificant.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases 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, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 July 2017, the Group has non-cancellable operating lease commitments of HK\$1,502,000 as disclosed in note 24 in which HK\$1,151,000 had original lease term over 1 year. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases upon the application of HKFRS 16. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease terms, but there is no impact on the total expenses recognise over the lease term. The directors of the Company anticipate that the application of HKFRS 16 would not have significant impact on the financial position and performance of the Group comparing with HKAS 17 currently adopted by the Group. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Except for the above, the directors of the Company anticipate that the application of the other new or amendments to HKFRSs and interpretations will have no material impact on the Group's combined financial statements in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis and in accordance with the accounting policies set out below which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the GEM to the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if the market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurement that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follow:

- Level 1 inputs are quoted price (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset and liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Construction contracts

Where 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, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts receivable on contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts payable on contract work. Amounts received before the related work is performed are included in the combined statements of financial position, as a liability, as receipt in advance. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under progress payments receivable.

Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives using the straight line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including progress payments receivable, retention money receivable, other receivables, amount due from a director, pledged bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets such as progress payments receivable and retention money receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of these financial assets is reduced by the impairment loss directly for all financial assets with the exception of progress payments receivable and retention money receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the progress payments receivable and retention money receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a director, bank borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of warranty obligations under the relevant services agreements are recognised at the date of services performed, based on the best estimate made by the directors of the Company of the expenditure required to settle the Group's obligation.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in term of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of. For disposal of a group entity that is not a foreign operation, the exchange differences are released to accumulated profits.

Retirement benefits costs

Payments to government-managed retirement benefits scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Warranty provision

The Group provides warranty to customers for a period up to 15 years based on the service contracts completed by the Group. The management is of the view that the contract work is of good quality, the Group's subcontractors shall indemnify the Group for any losses suffered in relation to any defects found by customers on works performed by the relevant subcontractors and there were no material warranty claims from the customers in the past, accordingly, the directors of the Company considered that the provision of warranty expenses is not significant.

Construction contract

Construction contract revenue is recognised according to the percentage of completion of individual construction contract which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract are determined based on budget of the contract which was prepared by the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that gross profit margin can be estimated reliably, management reviews the costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs and revise the estimated contract costs where necessary. Recognition of variations and claims also requires significant estimation and judgement by the management. Notwithstanding that, the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts when those construction contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised in the Historical Financial Information.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents income received or receivable from provision of construction contract work.

The Group's operating activities are attributable to a single operating segment focusing on provision of construction contract work. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform with HKFRSs, that are regularly reviewed by the chief operating decision maker ("CODM") (i.e. being the executive directors of the Company). The CODM regularly reviews revenue analysis by its customers' industry segment and considers them as one single operating segment since all revenue of the Group is generated from one single line of business. Other than revenue analysis, no operating results and no other discrete Historical Financial Information is available for the assessment of performance.

An analysis of the Group's revenue are as follows:

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Residential properties	25,020	85,843	27,163	58,065
Commercial properties	147,009	23,764	12,972	—
	<u>172,029</u>	<u>109,607</u>	<u>40,135</u>	<u>58,065</u>

The CODM reviews the profit for the year/period of the companies now comprising the Group as a whole to make decisions about resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly, no separate segment information other than entity level information is prepared.

The assets of the Group are mainly located in Hong Kong.

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group during the Track Record Period are as below:

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Customer A	87,628	11,844	6,809	–
Customer B	28,309	N/A*	N/A*	N/A*
Customer C	23,448	N/A*	N/A*	–
Customer D	N/A*	37,381	17,854	15,455
Customer E	–	27,892	6,806	18,028
Customer F	N/A*	N/A*	N/A*	9,331
Customer G	–	N/A*	N/A*	7,471
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Revenue from this customer was less than 10% of the total revenue for the respective years ended 31 March 2016, 31 March 2017 and four months ended 31 July 2016 and 31 July 2017.

7. OTHER INCOME, GAIN AND LOSS

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Interest income	–	5	–	–
Exchange gain (loss)	212	143	32	(119)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	212	148	32	(119)

8. FINANCE COSTS

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Interest on:				
Bank borrowings and bank overdrafts	692	1,142	304	451
Amount due to a director	207	–	–	–
Finance charge	–	–	–	75
	<u>899</u>	<u>1,142</u>	<u>304</u>	<u>526</u>

9. PROFIT BEFORE TAXATION

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit before taxation has been arrived at after charging:				
Directors' remuneration (<i>note 10</i>)	3,116	3,458	863	1,412
Other staff costs	5,246	9,703	3,457	5,956
Retirement benefit schemes contributions for other staff	<u>265</u>	<u>345</u>	<u>86</u>	<u>464</u>
Total staff costs	<u>8,627</u>	<u>13,506</u>	<u>4,406</u>	<u>7,832</u>
Auditor's remuneration	60	600	200	200
Depreciation of property, plant and equipment	7	42	2	59
Operating lease rentals in respect of rented premises	369	612	141	490
Listing expenses	–	2,750	–	3,965
Tax penalty (<i>note</i>)	<u>–</u>	<u>50</u>	<u>–</u>	<u>–</u>

Note: On 1 June 2017, Polyfair HK received a notice issued by the Inland Revenue Department informing Polyfair HK of its intention to assess additional tax given under Section 82A(4) of the Inland Revenue Ordinance due to late profits tax filing for the year of assessment 2015/16. On 8 September 2017, Polyfair HK received a notification issued by the IRD informing Polyfair HK the additional tax by way of penalty under Section 82A(4) of the Inland Revenue Ordinance in the sum of HK\$50,000. A provision of HK\$50,000, being the penalty in connection to the above matter, is accrued during the year ended 31 March 2017 and included in the other expenses.

10. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive officer's emoluments

Details of the emoluments paid or payable to the directors and chief executive officer of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by the entities comprising the Group during the Track Record Period are as follows:

	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Retirement benefit schemes contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<u>For the year ended</u>					
<u>31 March 2016</u>					
<i>Executive directors</i>					
Mr. Yu (chief executive officer)	80	837	440	18	1,375
Mr. Chow	80	375	250	18	723
Mr. Wong Kam Man	–	710	290	18	1,018
	<u>160</u>	<u>1,922</u>	<u>980</u>	<u>54</u>	<u>3,116</u>
<u>For the year ended</u>					
<u>31 March 2017</u>					
<i>Executive directors</i>					
Mr. Yu (chief executive officer)	200	1,155	170	18	1,543
Mr. Chow	200	675	90	18	983
Mr. Wong Kam Man	–	789	125	18	932
	<u>400</u>	<u>2,619</u>	<u>385</u>	<u>54</u>	<u>3,458</u>
	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Retirement benefit schemes contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<u>For the four months ended 31 July 2016 (unaudited)</u>					
<i>Executive directors</i>					
Mr. Yu (chief executive officer)	67	310	–	6	383
Mr. Chow	67	150	–	6	223
Mr. Wong Kam Man	–	251	–	6	257
	<u>134</u>	<u>711</u>	<u>–</u>	<u>18</u>	<u>863</u>
<u>For the four months ended 31 July 2017</u>					
<i>Executive directors</i>					
Mr. Yu (chief executive officer)	67	560	–	6	633
Mr. Chow	67	400	–	6	473
Mr. Wong Kam Man	–	300	–	6	306
	<u>134</u>	<u>1,260</u>	<u>–</u>	<u>18</u>	<u>1,412</u>

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. Mr. Yu was also appointed as the chief executive officer of the Company on 25 May 2017. The emoluments of Mr. Yu were also for his services in the capacity of chief executive officer.

The discretionary bonus is determined with reference to the operating results, individual performance and market condition during the Track Record Period.

No emoluments were paid or payable to independent non-executive directors, namely Mr. Ng Ka Lok, Dr. Lung Cheuk Wah and Mr. Wong Chi Yung, during the Track Record Period. These independent non-executive directors are newly appointed by the Company on 25 January 2018.

(b) Employees' emoluments

Of the five individuals with the highest emoluments paid by the Group during the Track Record Period, three of them are directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two individuals are as below:

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Employees				
– salaries and allowances	1,089	1,285	410	524
– discretionary bonus	445	205	–	–
– retirement benefit schemes contributions	36	36	12	12
	<u>1,570</u>	<u>1,526</u>	<u>422</u>	<u>536</u>

Their emoluments were within the following band:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016 (unaudited)	2017
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the Track Record Period.

11. TAXATION

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
The tax charge comprises				
Current tax				
Hong Kong Profits Tax	3,266	2,285	1,052	637
PRC tax	—	—	—	105
	<u>3,266</u>	<u>2,285</u>	<u>1,052</u>	<u>742</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits during the Track Record Period.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiary in the PRC is 25%.

No provision for taxation in other jurisdictions has been made as the Group has no assessable taxable profits arising from operations outside Hong Kong and the PRC.

The tax charge for the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit before taxation	<u>19,691</u>	<u>9,467</u>	<u>6,494</u>	<u>283</u>
Tax charge at Hong Kong Profit Tax rate of 16.5%	3,249	1,562	1,072	47
Tax effect of expenses not deductible for tax purpose	39	469	—	674
Tax effect of income not taxable for tax purpose	—	(1)	—	(16)
Effect of different tax rates of a subsidiary operating in other jurisdictions	—	—	—	34
Tax reduction	(20)	(20)	(20)	—
Others	<u>(2)</u>	<u>275</u>	<u>—</u>	<u>3</u>
Tax charge	<u>3,266</u>	<u>2,285</u>	<u>1,052</u>	<u>742</u>

12. DIVIDENDS

During the year ended 31 March 2016, Polyfair HK declared and paid dividends of HK\$6,450,000 to the then shareholders. The rate of dividends and number of shares ranking for the dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

Other than disclosed above, no dividend was paid or declared by the Company since its incorporation or by other group entities during the Track Record Period.

13. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the Track Record Period that is prepared on a combined basis as set out in note 2.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST			
At 1 April 2015	–	–	–
Additions	–	36	36
	<hr/>	<hr/>	<hr/>
At 31 March 2016	–	36	36
Additions	327	335	662
	<hr/>	<hr/>	<hr/>
At 31 March 2017	327	371	698
Additions	–	236	236
Exchange adjustment	–	5	5
	<hr/>	<hr/>	<hr/>
At 31 July 2017	327	612	939
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 1 April 2015	–	–	–
Provided for the year	–	7	7
	<hr/>	<hr/>	<hr/>
At 31 March 2016	–	7	7
Provided for the year	16	26	42
	<hr/>	<hr/>	<hr/>
At 31 March 2017	16	33	49
Provided for the period	22	37	59
	<hr/>	<hr/>	<hr/>
At 31 July 2017	38	70	108
	<hr/>	<hr/>	<hr/>
CARRYING VALUES			
At 31 March 2016	–	29	29
	<hr/>	<hr/>	<hr/>
At 31 March 2017	311	338	649
	<hr/>	<hr/>	<hr/>
At 31 July 2017	289	542	831
	<hr/>	<hr/>	<hr/>

The above items of property, plant and equipment are depreciated over their estimated useful lives using the straight line method as follows:

Leasehold improvements	Over the lease terms
Furniture and office equipment	5 years

15. AMOUNTS RECEIVABLE (PAYABLE) ON CONTRACT WORK

	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 31 July 2017 HK\$'000
Contract costs incurred plus recognised profits			
less recognised losses	295,083	269,653	327,078
Less: Progress billings	(266,473)	(210,723)	(245,346)
	<u>28,610</u>	<u>58,930</u>	<u>81,732</u>
Analysed for reporting purposes as:			
Amounts receivable on contract work	30,112	58,930	81,732
Amounts payable on contract work	(1,502)	–	–
	<u>28,610</u>	<u>58,930</u>	<u>81,732</u>

16. PROGRESS PAYMENTS RECEIVABLE

Progress payments receivable represents the amounts receivable, after deduction of retention money, for construction services which usually fall due within 14 to 30 days after the work is certified. Retention money is usually withheld from the amounts receivable for work certified. 50% of the retention money is normally due upon completion of construction services and the remaining 50% portion is due upon finalisation of construction accounts.

The aged analysis of progress payments receivable is as follows:

	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 31 July 2017 HK\$'000
Within 30 days	7,000	–	8,470
31 to 90 days	415	913	285
Over 90 days	1,010	2,441	3,354
	<u>8,425</u>	<u>3,354</u>	<u>12,109</u>

Management of the Group closely monitors the credit quality of progress payments receivable. All of the progress payments receivable as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively, that are neither past due nor impaired are considered to be of good credit quality based on historical repayment from the debtors.

Included in the Group's progress payments receivable balance with aggregate carrying amount of HK\$3,078,000, HK\$3,354,000 and HK\$3,909,000 at 31 March 2016, 31 March 2017 and 31 July 2017, respectively which are past due for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of progress payments receivable which are past due but not impaired:

	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 31 July 2017 HK\$'000
Within 30 days	2,068	1	270
31 to 90 days	5	611	285
Over 90 days	1,005	2,742	3,354
	<u>3,078</u>	<u>3,354</u>	<u>3,909</u>

Management of the Group believes that no impairment allowance is necessary as there has not been a significant change in credit quality of these customers and the balances are considered fully recoverable.

17. RETENTION MONEY RECEIVABLE

	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 31 July 2017 HK\$'000
Amounts receivable within one year	6,479	6,502	7,021
Amounts receivable after one year	3,352	689	3,746
	<u>9,831</u>	<u>7,191</u>	<u>10,767</u>

As at 31 March 2016, 31 March 2017 and 31 July 2017, the Group's retention money receivable of HK\$8,883,000, HK\$5,922,000 and HK\$8,337,000 respectively were not yet past due and the remaining balance of HK\$948,000, HK\$1,269,000 and HK\$2,430,000 respectively were past due, of which HK\$457,000, HK\$171,000 and HK\$171,000 respectively were past due for over one year. The Group does not hold any collateral over these balances. Management of the Group believes that no impairment allowance is necessary as there has been no significant change in credit quality of these customers and the balances are considered fully recoverable.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 31 July 2017 HK\$'000
Prepayments	2,546	5,122	12,418
Deferred listing expenses	–	2,418	2,142
Other receivables	126	374	1,895
	<u>2,672</u>	<u>7,914</u>	<u>16,455</u>

The Company

	As at 31 July 2017 HK\$'000
Deferred listing expenses	<u>2,142</u>

19. AMOUNT DUE FROM/TO A DIRECTOR

The Group

As at 31 March 2016, the amount due from a director represented the outstanding amount of advance to Mr. Chow and was non-trade in nature, unsecured, interest-free and repayable on demand. As at 1 April 2015, the balance due from a director was nil. The maximum amount outstanding during the years ended 31 March 2016 and 2017 is HK\$7,392,000.

As at 31 March 2016, the amount due to a director represented the payable to Mr. Chow and was unsecured, with fixed interest rate at 6% per annum and repayable on demand. As at 31 March 2017, the amount due to a director represented the payable to Mr. Chow and was unsecured, interest-free and repayable on demand. As at 31 July 2017, the amount due to a director represented the payable to Mr. Chow and except for an amount of HK\$8,058,000 which was unsecured, interest-free and repayable on demand, the amount due to a director was unsecured, with fixed interest rate at 4% per annum and repayable on demand. Such balances as at 31 March 2016, 31 March 2017 and 31 July 2017 were non-trade in nature. The amount outstanding at 31 July 2017 was fully settled before the Listing.

20. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH/BANK OVERDRAFTS

Pledged bank deposit carries interest at 0.22%, 0.02% and 0.001% per annum as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively, which is pledged to secure the letter of guarantee facility granted to the Group and a banking facility granted to the Group amounted to HK\$1,000,000 of which HK\$999,000 was utilised, respectively.

Bank balances carry interest at prevailing market rate of 0.01% per annum as at 31 March 2016, 31 March 2017 and 31 July 2017.

As at 31 March 2016, bank overdrafts carried interest at Prime Rate less 1.15% per annum with an effective interest rate at 3.85% per annum. The balance was repayable on demand, secured by a property held by a related company controlled by the close family members of a director and personal guarantees provided by directors of the Company as set out in note 30.

21. TRADE AND OTHER PAYABLES**The Group**

	As at 31 March 2016	2017	As at 31 July 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	13,032	14,836	26,007
Retention payables – amount payable within one year	1,642	2,772	2,400
Retention payables – amount payable after one year	2,054	542	1,198
Value-Added Tax payables	–	–	100
Accrued charges	358	2,186	3,982
Receipt in advance	–	1,500	1,500
Dividend payable	700	–	–
	<u>17,786</u>	<u>21,836</u>	<u>35,187</u>

The credit period of trade payables is 30 to 60 days.

The following is an aged analysis of trade payables based on the invoice date at the end of each reporting period:

	As at 31 March 2016	2017	As at 31 July 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	11,389	10,392	20,563
31 to 60 days	1,173	3,013	115
61 to 90 days	34	989	225
Over 90 days	436	442	5,104
	<u>13,032</u>	<u>14,836</u>	<u>26,007</u>

The Company

	As at 31 July 2017
	<i>HK\$'000</i>
Accrued charges	<u>2,768</u>

22. BANK BORROWINGS

	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 31 July 2017 HK\$'000
Bank loans	22,548	37,909	57,826
Bank overdrafts	3,918	3,990	3,808
	<u>26,466</u>	<u>41,899</u>	<u>61,634</u>
Bank borrowings with carrying amount repayable as follows (based on the scheduled repayment dates set out in the loan agreements):			
– within one year	13,633	32,982	53,510
– between one to two years	2,758	4,381	5,174
– between two to five years	7,515	4,498	2,950
– after five years	2,560	38	–
	<u>26,466</u>	<u>41,899</u>	<u>61,634</u>
Comprising:			
Amount due within one year shown under current liabilities	13,633	32,982	53,510
Amount that are not repayable within one year from the end of the reporting period but containing a repayment on demand clause	12,833	8,917	8,124
	<u>26,466</u>	<u>41,899</u>	<u>61,634</u>

As at 31 March 2016, the Group's bank loans carried interests at Prime Rate less 1% to 2% per annum, Hong Kong Dollar Best Lending Rate of Chinatrust Commercial Bank Limited ("BLR") less 4.6% per annum and Hong Kong Interbank Offered Rate ("HIBOR") plus 1.7% to 3.75% per annum, with effective interest rates ranging from 1.93% to 4.25% per annum. As at 31 March 2017, the Group's bank loans carry interests at Prime Rate less 1% to 2.75% per annum, BLR less 4.6% per annum and HIBOR plus 1.7% to 3.25% per annum, with effective interest rates ranging from 2.15% to 4.25% per annum. As at 31 July 2017, the Group's bank loans carry interests at Prime Rate less 1.8% to 2.75% per annum and HIBOR plus 1.7% to 3.0% per annum, with effective interest rates ranging from 2.15% to 3.45% per annum. The bank borrowings of HK\$22,891,000, HK\$27,076,000 and HK\$45,634,000 as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively, are secured by properties held under a director of the Company and the companies controlled by a director of the Company or his close family members and personal guarantees provided by directors of the Company as set out in note 30 and secured by invoices issued to customers with total amount of HK\$157,000 and HK\$10,017,000 as at 31 March 2017 and 31 July 2017, respectively. Except for the amounts of HK\$3,575,000, HK\$14,823,000 and HK\$16,000,000 as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively, are unsecured and guaranteed by the Government of The Hong Kong Special Administrative Region under Small and Medium Enterprises ("SME") Loan Guarantee Scheme or/and The Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme, all the bank borrowings are secured and guaranteed.

As at 31 March 2016, bank overdrafts carry interests at BLR less 4.15% per annum with an effective interest rate at 4.2% per annum and at Prime Rate less 1.8% per annum as at 31 March 2017 and 31 July 2017 with effective interest rate at 3.45% per annum, respectively. The bank overdrafts is repayable on demand, secured by properties held by the companies controlled by close family members of a director of the Company and personal guarantees provided by directors of the Company as set out in note 30.

23. SHARE CAPITAL

The Group

The share capital as at 1 April 2015, 31 March 2016, and 31 March 2017 represents the share capital of Polyfair HK. The share capital as at 31 July 2017 represents the aggregate paid-up capital of the Company and Polyfair HK.

The Company

On 25 May 2017, the Company was incorporated in the Cayman Islands with limited liability and registered with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. A total of 100 nil paid shares were issued and allotted to CNY on the same date.

24. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 31 July 2017 HK\$'000
Within one year	373	1,404	1,241
Between one to two years	—	559	261
	<u>373</u>	<u>1,963</u>	<u>1,502</u>

Operating lease payments represent rentals payable by the Group for its rented premises. Leases are negotiated for terms ranging from one to two years.

25. PLEDGE OF ASSET

At 31 March 2016, 31 March 2017 and 31 July 2017, the Group's bank deposit with carrying amount of approximately HK\$3,800,000, HK\$2,001,000 and HK\$2,001,000, respectively, was pledged to secure certain letter of guarantee facility and banking facility, respectively, granted to the Group as set out in note 20.

26. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of independent trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK\$1,500 per month for each employee to the scheme.

The employees employed by the PRC subsidiary are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligations of the PRC subsidiary with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total cost charged to profit or loss of HK\$319,000, HK\$399,000, HK\$104,000 and HK\$482,000 represents contributions paid or payable to the above schemes by the Group for the years ended 31 March 2016, and 31 March 2017 and for the four months ended 31 July 2016 and 31 July 2017, respectively.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes the amount due to a director, bank borrowings and bank overdrafts disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	31,938	22,385	29,479
Financial liabilities			
Amortised cost	48,096	67,104	102,019

Financial risk management objectives and policies

The Group's major financial instruments include other receivables, progress payments receivable, retention money receivable, pledged bank deposit, bank balances and cash, trade and other payables, amount due from/to a director, bank borrowings and bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk, and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk**Currency risk*

The management of Group considers that the exposure to currency risk is minimal.

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly the interest bearing bank balances, pledged bank deposit, bank borrowings and bank overdrafts at variable interest rates. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on Prime Rate, HIBOR and BLR arising from its bank borrowings and bank overdrafts. At 31 March 2016 and 31 July 2017, the Group is also exposed to fair value interest rate risk in relation to fixed-rate amount due to a director. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank borrowings and bank overdrafts at variable interest rates at the end of each reporting period and assumed that the amounts of the liabilities outstanding at the end of each reporting period were outstanding for the whole year/period. 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on bank borrowings and bank overdrafts at variable interest rates had been 100 basis points higher/lower at the end of each reporting period and all other variables were held constant, the potential effect on post-tax profit (loss) for the year/period is as follows:

	Year ended 31 March		Four months ended 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
(Decrease) increase in post-tax profit for the year/(Increase) decrease in post-tax loss for the period			
– as a result of an increase in interest rate	(229)	(350)	(172)
– as a result of a decrease in interest rate	229	350	172
	<u>229</u>	<u>350</u>	<u>172</u>

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2016, 31 March 2017 and 31 July 2017 in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group reviews the recoverable amount of each individual progress payments receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

As at 31 March 2016, 31 March 2017 and 31 July 2017, the Group has concentration of credit risk on progress payments receivable amounting to HK\$3,254,000, HK\$2,647,000 and HK\$8,142,000, representing approximately 39%, 79% and 67% of the progress payments receivable, respectively which were due from a single customer. As at 31 March 2016, 31 March 2017 and 31 July 2017, progress payments receivable from the five customers with the most significant balances amounting to HK\$8,005,000, HK\$3,354,000, and HK\$12,109,000, representing approximately 95%, 100% and 100% of the total progress payments receivable, respectively.

In addition, as at 31 March 2016, 31 March 2017 and 31 July 2017, the Group has concentration of credit risk on retention money receivable amounting to HK\$4,562,000, HK\$1,985,000, and HK\$2,036,000, representing approximately 46%, 28% and 19% of the retention money receivable, respectively which were due from a single customer. As at 31 March 2016, 31 March 2017 and 31 July 2017, retention money receivable from the five customers with the most significant balances amounting to HK\$8,874,000, HK\$5,888,000 and HK\$7,388,000, representing approximately 90%, 82% and 69% of the retention money receivable, respectively.

The major customers of the Group are certain reputable organisations. The management of the Group considers that the credit risk is limited in this regard.

The Group also has concentration of credit risk in relation to the amount due from a director as at 31 March 2016.

Credit risk on liquid funds is considered limited as such amounts are placed in banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on advances from a director as well as bank borrowings as significant sources of liquidity.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest risk tables

The Group

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<u>At 31 March 2016</u>							
Trade and other payables	–	7,878	6,950	546	2,054	17,428	17,428
Amount due to a director	6.00	3,260	–	–	–	3,260	3,260
Bank borrowings	3.43	26,466	–	–	–	26,466	26,466
Bank overdrafts	3.85	942	–	–	–	942	942
		<u>38,546</u>	<u>6,950</u>	<u>546</u>	<u>2,054</u>	<u>48,096</u>	<u>48,096</u>
<u>At 31 March 2017</u>							
Trade and other payables	–	11,745	5,200	663	542	18,150	18,150
Amount due to a director	–	7,055	–	–	–	7,055	7,055
Bank borrowings	3.30	41,899	–	–	–	41,899	41,899
		<u>60,699</u>	<u>5,200</u>	<u>663</u>	<u>542</u>	<u>67,104</u>	<u>67,104</u>
<u>At 31 July 2017</u>							
Trade and other payables	–	21,077	6,600	730	1,198	29,605	29,605
Amount due to a director – interest free	–	8,058	–	–	–	8,058	8,058
Amount due to a director – interest bearing	4.00	2,722	–	–	–	2,722	2,722
Bank borrowings	3.24	61,634	–	–	–	61,634	61,634
		<u>93,491</u>	<u>6,600</u>	<u>730</u>	<u>1,198</u>	<u>102,019</u>	<u>102,019</u>

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 March 2016, 31 March 2017 and 31 July 2017, the aggregate carrying amounts of these bank borrowings amounted to HK\$26,466,000, HK\$41,899,000 and HK\$61,634,000. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<u>Bank Borrowings</u>							
At 31 March 2016	3.43	11,381	520	2,342	13,800	28,043	26,466
At 31 March 2017	3.30	11,714	3,167	18,911	9,279	43,071	41,899
At 31 July 2017	3.24	47,031	1,296	5,833	8,349	62,509	61,634

Fair value measurement of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

29. CONTINGENT LIABILITIES

The Group provides guarantees in respect of the surety bonds in favour of the customers of certain construction contracts. Details of these guarantees are set out follows:

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Surety bond issued in favour of a customer	3,800	–	–

30. RELATED PARTY TRANSACTIONS

The Group had entered into the following related party transactions:

(a)	Name of related parties	Nature of transactions	Year ended		Four months ended	
			31 March 2016 HK\$'000	2017 HK\$'000	31 July 2016 HK\$'000 (unaudited)	2017 HK\$'000
	Goldbest International Holdings Limited*	Commission fee paid in respect of pledge of properties	–	180	180	–
	Polyfaith Holdings Limited*	Commission fee paid in respect of pledge of properties	130	225	–	–
	Polynet Development Limited*	Commission fee paid in respect of pledge of properties	43	140	–	–
	Polykind Far East Limited*	Commission fee paid in respect of pledge of properties	140	210	–	–
	Mr. Yu	Commission fee paid in respect of pledge of properties	–	225	–	–
	Mr. Chow	Interest expenses paid	207	–	–	–

* The above related companies are controlled by the director of the Company, Mr. Chow or his close family members.

- (b) Pledge of properties, as set out in note (a) above, held by the director of the Company and the companies controlled by the director of the Company or his close family members were provided and personal guarantees were given by directors of the Company in respect of banking facilities granted to the Group amounted to approximately HK\$33,348,000, HK\$61,749,000 and HK\$77,539,000 as at 31 March 2016, 31 March 2017, and 31 July 2017 of which HK\$31,208,000 (including a surety bond as set out in note 29), HK\$41,899,000 and HK\$61,634,000 were utilised as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively. The pledge of properties held by the director of the Company and the companies controlled by the director of the Company or his close family members and personal guarantees as at 31 July 2017 will be released upon the Listing.
- (c) The director of the Company, Mr. Yu, provided personal guarantee in favour of a customer against contractual financial obligations of the Group under a construction contract during the years ended 31 March 2016, 31 March 2017 and four months ended 31 July 2016 and 31 July 2017. As at 31 March 2016, 31 March 2017 and 31 July 2017, such amount of the guarantee was HK\$22,000,000 which was subsequently released in October 2017.

The remuneration of key management personnel who are the directors of the Company during the Track Record Period was disclosed in note 10.

31. INVESTMENT IN A SUBSIDIARY

The Company

**As at 31 July
2017**
HK\$'000

Unlisted investment, at cost

—

At the date of this report, the Company has the following direct and indirect shareholdings/equity interests in the following subsidiaries:

Name of subsidiaries	Place and the date of incorporation/ establishment	Place of operation	Issued and fully paid capital/ registered capital	Shareholding/equity interest attributable to the Company as at			the date of this report	Principal activities	Notes
				31 March 2016	31 March 2017	31 July 2017			
<i>Directly held:</i>									
Polyfair BVI	BVI 8 June 2017	Hong Kong	US\$1	N/A	N/A	100%	100%	Investment holding	(a)
<i>Indirectly held:</i>									
Polyfair HK	Hong Kong 9 February 2006	Hong Kong	HK\$3,000,000	100%	100%	100%	100%	Construction and engineering of curtain walls	(b)
深圳寶發幕牆科技有限公司 ("Polyfair SZ")	PRC 9 January 2017	PRC	HK\$1,000,000 (note d)	N/A	100%	100%	100%	Design of façade systems	(c)

Except for Polyfair SZ, which has a financial year end of 31 December, all subsidiaries now comprising the Group are limited liability companies and have adopted 31 March as their financial year end date.

Notes:

- (a) No audited financial statements of Polyfair BVI have been prepared since the date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.
- (b) The statutory financial statements of Polyfair HK for the year ended 31 March 2016 and 31 March 2017 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Chun Kwan & Company Certified Public Accountants and us, respectively.
- (c) No statutory audited financial statements of Polyfair SZ have been prepared for the period from 9 January 2017 (date of establishment) to 31 July 2017 as it is newly established and the financial statements have not yet been due to issue.
- (d) The registered capital has not yet been paid up as at 31 July 2017.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows from financing activities.

	At 1 April 2015 HK\$'000	Financing cash inflows HK\$'000	Dividend declared HK\$'000	Issue costs accrued HK\$'000	Interest accrued HK\$'000	Financing cash outflows HK\$'000	At 31 March 2016 HK\$'000
Dividend payable	700	–	6,450	–	–	(6,450)	700
Bank borrowings	9,042	81,555	–	–	–	(64,131)	26,466
Amount due to a director	6,441	8,935	–	–	207	(12,323)	3,260
Interest payables	–	–	–	–	692	(692)	–
	At 1 April 2016 HK\$'000	Financing cash inflows HK\$'000	Dividend declared HK\$'000	Issue costs accrued HK\$'000	Interest accrued HK\$'000	Financing cash outflows HK\$'000	At 31 March 2017 HK\$'000
Dividend payable	700	–	–	–	–	(700)	–
Bank borrowings	26,466	77,004	–	–	–	(61,571)	41,899
Amount due to a director (Note)	3,260	24,035	–	–	–	(20,240)	7,055
Interest payables (Note)	–	–	–	–	1,142	(1,142)	–
Accrued issue costs	–	–	–	899	–	(838)	61
(Unaudited)	At 1 April 2016 HK\$'000	Financing cash inflows HK\$'000	Dividend declared HK\$'000	Issue costs accrued HK\$'000	Interest accrued HK\$'000	Financing cash outflows HK\$'000	At 31 July 2016 HK\$'000
Dividend payable	700	–	–	–	–	(350)	350
Bank borrowings	26,466	24,816	–	–	–	(12,337)	38,945
Amount due (from) to a director	3,260	1,333	–	–	–	(4,882)	(289)
Interest payables	–	–	–	–	304	(304)	–

Note: Out of the financing cash outflows for the amount due to a director, it included accrued interest of approximately HK\$207,000 which was presented as finance costs paid in the combined statements of cash flows.

	At 1 April 2017 <i>HK\$'000</i>	Financing cash inflows <i>HK\$'000</i>	Dividend declared <i>HK\$'000</i>	Issue costs accrued <i>HK\$'000</i>	Interest accrued <i>HK\$'000</i>	Financing cash outflows <i>HK\$'000</i>	At 31 July 2017 <i>HK\$'000</i>
Bank borrowings	41,899	62,252	–	–	–	(42,517)	61,634
Amount due to a director	7,055	11,884	–	–	–	(8,159)	10,780
Interest payables	–	–	–	–	526	(526)	–
Accrued issue costs	61	–	–	1,098	–	(64)	1,095
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

33. EVENTS AFTER REPORTING PERIOD

Saved as disclosed elsewhere in the report, the following events took place subsequent to 31 July 2017:

On 19 January 2018, the Reorganisation as detailed in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus was duly completed.

On 25 January 2018, written resolutions of the shareholders of the Company were passed to approve the matters set out in the paragraph headed “Written resolutions of our sole Shareholder dated 25 January 2018” in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) the authorised share capital of the Company was increased from HK\$380,000 divided into HK\$50,000,000 by the creation of an additional 4,962,000,000 shares to rank pari passu with the existing shares in all respects;
- (ii) on 25 January 2018, the Company has approved the issuance of 599,999,800 shares standing to the credit of the share premium of the Company conditional upon the share premium account of the Company being credited as a result of the allotment and issue of the offering shares of the Company under the capitalisation issue on or around the listing date, details are set out in Appendix IV to the Prospectus; and
- (iii) The share option scheme of the Company was adopted on 25 January 2018 and the principal terms of which are set out in Appendix IV to the Prospectus.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Track Record Period.

The information set forth in this appendix does not form part of the Accountants' Report prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is set out herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following is an unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company (the "Pro Forma Financial Information") prepared 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 "Stock Exchange") for illustrative purpose only, and is set out below to illustrate the effect of the proposed listing of the Company's share on the Stock Exchange by way of Public Offer (the "Public Offer") of 20,000,000 Public Offer Shares and Placing (the "Placing") of 180,000,000 new Shares on the Group's combined net tangible assets attributable to owners of the Company as at 31 July 2017 as if the Public Offer and the Placing had taken place on 31 July 2017.

The Unaudited Pro Forma Financial Information has been prepared based on the judgements, estimates and assumptions of the Directors, 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 as at 31 July 2017 or any future dates following the Public Offer and the Placing.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 HK\$'000 (Note 1)	Estimated net proceeds from the Public Offer and the Placing of new shares HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share HK\$ (Note 3)
Based on an Offer				
Price of HK\$0.25				
per Share	19,159	31,849	51,008	0.06
Based on an Offer				
Price of HK\$0.35				
per Share	19,159	49,949	69,108	0.09

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as of 31 July 2017 is extracted from the “Accountants’ Report” as set out in Appendix I to this prospectus, which is based on the audited combined net tangible assets of the Group attributable to owners of the Company as of 31 July 2017 of approximately HK\$19,159,000.
- (2) The estimated net proceeds from the Public Offer and the Placing of new Shares are based on 20,000,000 and 180,000,000 Shares to be offered by the Company and the Offer Prices of HK\$0.25 per Share and HK\$0.35 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding approximately HK\$6,715,000 of listing expenses charged to profit or loss prior to 31 July 2017) in connection with the Public Offer and the Placing.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 800,000,000 shares expected to be in issue immediately following the completion of the Public Offer and the Placing. It has not taken into account any shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors after 31 July 2017.
- (4) No adjustment has been made to the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 to reflect any trading result or other transaction of the Group entered into subsequent to 31 July 2017.

(B) REPORT FROM THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of the independent reporting accountants' assurance report, received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in relation to the Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.

Deloitte.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Polyfair Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Polyfair Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 31 July 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 January 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 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 Public Offer and Placing on the Group's financial position as at 31 July 2017 as if the event had taken place at 31 July 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the two years ended 31 March 2017 and four months ended 31 July 2017, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 July 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:

- 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' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 31 January 2018

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 May, 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). Our Company’s constitutional documents consist of its Memorandum of Association (the “**Memorandum**”) and its Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 25 January 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to our Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

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(iv) Borrowing powers

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons,

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including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if our Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

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If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

Our Company must hold an annual general meeting of our Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

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All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same

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powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

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(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

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Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

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- (ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

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(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may,

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if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

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(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, our Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 29 June 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

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(m) Inspection of corporate records

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

Our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

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(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 May 2017. Our Company's registered office is at the office of Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company's principal place of business in Hong Kong is at Unit 1206-7, 12th Floor, Fortress Tower, 250 King's Road, North Point, Hong Kong and our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 27 June 2017. In connection with such registration, each of Mr. Chow and Mr. Yu 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 laws of the Cayman Islands and its constitution, which comprises of a Memorandum and the Articles of Association. 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 authorised and issued share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. The following alterations in the share capital of our Company have taken place since the date of its incorporation:

- (a) on 25 May 2017, 1 nil-paid Share was allotted and issued to the initial subscriber, which was transferred to C.N.Y. Holdings, and an additional 99 nil-paid Shares were allotted and issued to C.N.Y. Holdings on the same date;
- (b) on 8 June 2017, 1 fully paid share of Polyfair Group was allotted and issued to our Company at par;
- (c) on 19 January 2018, Mr. Chow and Mr. Yu transferred the entire issued share capital of Polyfair HK to Polyfair Group (as the nominee of our Company). The consideration was satisfied by our Company allotting and issuing 100 new Shares to Mr. Chow and Mr. Yu (or their respective nominee) credited as fully paid and crediting as fully paid at par the 100 nil paid Shares in issue. Our Company had nominated its direct wholly-owned subsidiary, Polyfair Group, to hold the entire issued share capital of Polyfair. Mr. Chow and Mr. Yu had nominated C.N.Y. Holdings to hold the 100 new Shares;
- (d) pursuant to the written resolutions of our sole Shareholder dated 25 January 2018, our authorised share capital was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 Shares; and
- (e) immediately following completion of the Share Offer and the Capitalisation Issue (not taking into account (i) any shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme; and (ii) any shares which may be allotted and issued or

repurchased by our Company under the Issue Mandate (as defined below) and the Repurchase Mandate (as defined below)), the authorised share capital of our Company will be HK\$50,000,000 divided into 5,000,000,000 Shares and the issued share capital will be HK\$8,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid and 4,200,000,000 Shares will remain unissued.

3. Written resolutions of our sole Shareholder dated 25 January 2018

Pursuant to the written resolutions of our sole Shareholder dated 25 January 2018:

- (a) our Company approved and adopted the Memorandum and, with effect from the Listing Date, the Articles of Association;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 Shares to rank *pari passu* with the existing Shares in all respects;
- (c) conditional on the same conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares subject to the terms and conditions stated in this prospectus;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in this appendix, were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme including without limitation: (1) administering the Share Option Scheme; (2) modifying and/or amending the Share Option Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Share Option Scheme relating to modifications and/or amendments and the requirements of the GEM Listing Rules; (3) granting options under the Share Option Scheme and issuing and allotting from time to time any shares pursuant to the exercise of the options that may be granted under the Share Option Scheme not exceeding 10% of the total number of issued Shares of our Company on the Listing Date; and (4) making application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may thereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, an amount of HK\$5,999,998 which will then be standing to the credit of the share premium account of our Company be capitalised and applied to pay up in full at par a total of 599,999,800 Shares

for allotment and issue to holders of shares whose names appear on the register of members of our Company at the close of business on 25 January 2018 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their respective then existing shareholdings in our Company, and our Directors were authorised to give effect to the Capitalisation Issue and such distribution and our Shares to be allotted and issued shall, save for the entitlements to the Capitalisation Issue, rank pari passu in all respects with all the then existing Shares;

- (iv) a general unconditional mandate (the “**Issue Mandate**”) was given to our Directors to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend on Shares in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under the Share Offer or the Capitalisation Issue) unissued Shares not exceeding 20% of the number of issued Shares of our Company immediately following completion of the Share Offer and the Capitalisation Issue (excluding any issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme) 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 of Association or any applicable law 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, whichever is the earliest;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to buy back Shares not exceeding 10% of the number of issued Shares of our Company immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any issue of Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), 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 of Association or any applicable law 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, whichever is the earliest; and
- (vi) conditional on the passing of the resolutions referred to in sub-paragraphs (iv) and (v) above, the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition of the number of our Shares of our Company which may be allotted, issued or dealt with by our Directors pursuant to such general mandate of a number representing the number of our Shares of our Company repurchased by our Company pursuant to the mandate to buy back Shares referred to in sub-paragraph (v) above.

4. Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing and our Company became the holding company of our Group. For information relating to the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure – Reorganisation" of this prospectus.

5. Changes in share capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report for our Company, the text of which is set out in Appendix I to this prospectus. Save as set out in the section headed "History, Reorganisation and Corporate Structure" of this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes information relating to the repurchase of the shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

The GEM Listing Rules permit our Shareholders to grant our Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange.

(b) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders, either by way of general mandate or by specific approval of a particular transaction.

The Repurchase Mandate was granted to our Directors by our sole Shareholder pursuant to a written resolution dated 25 January 2018 authorising them to exercise all powers of our Company to repurchase Shares not exceeding 10% of the number of issued Shares of our Company immediately following the completion of the Share Offer and the Capitalisation Issue (excluding Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) 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 of Association or any applicable law 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, whichever is the earliest.

(c) Source of funds

Repurchases of Shares by our Company must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not buy back its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the GEM Listing Rules. Under the Cayman Islands law, any repurchases of Shares by our Company may be made out of profits or share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchases. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the provisions of the Companies Law, a repurchase may also be made out of capital.

(d) Trading restrictions

Our Company may repurchase up to 10% of the number of the issued Shares of our Company immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of our Shares for a period of 30 days immediately following a repurchase of our Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing our Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. In addition, our Company is prohibited from repurchase our Shares on the Stock Exchange if the purchase price is 5% or more than the average closing price for the five preceding trading days on which our Shares were traded on the Stock Exchange. The broker appointed by our Company to effect a repurchase of our Shares is required to disclose to the Stock Exchange any information with respect to a share repurchase as the Stock Exchange may require.

(e) Status of repurchased shares

All Shares repurchased (whether on the Stock Exchange or otherwise) will be cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Islands law, a company's shares that have been repurchased may be treated as cancelled and the amount of our issued share capital shall be reduced by the aggregate nominal value of the shares repurchased accordingly although the authorised share capital of our Company will not be reduced.

(f) Suspension of repurchase

Repurchases of our Shares are prohibited at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) 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 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 (bb) the deadline for our Company to announce its results for any year, 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), our Company shall not repurchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchases of shares on the Stock Exchange if our Company has breached the GEM Listing Rules.

(g) Reporting requirements

Certain information relating to repurchase 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 following business day. In addition, our Company's annual report and accounts are required to disclose details regarding repurchases of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per Share or the highest and lowest prices paid for all such repurchases, where relevant, and the aggregate prices paid. The directors' report is also required to contain reference to the repurchases made during the year and the directors' reasons for making such repurchases.

(h) Core connected persons

According to the GEM Listing Rules, a company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a Director, chief executive or Substantial Shareholder of our Company or any of its subsidiaries or any of their close associates and a core connected person shall not knowingly sell his/her/its securities to our Company, on the Stock Exchange.

(i) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(j) Funding of repurchases

In repurchasing shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, 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. 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.

(k) General

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (not taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme; and (ii) any Shares which may be allotted and issued or repurchased by our Company under the Issue Mandate and the Repurchase Mandate), would result in up to 80,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable inquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands. If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, 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 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 presently aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate immediately after the listing of the shares on the Stock Exchange.

No core connected person (as defined in the GEM Listing Rules) has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (i) the Deed of Indemnity;
- (ii) the Deed of Non-competition; and
- (iii) the Public Offer Underwriting Agreement.

2. Intellectual property

As at the Latest Practicable Date, our Group had registered the following intellectual property rights that are material to our businesses:

(a) Trademark

As at the Latest Practicable Date, our Group had registered the following trademark that is material to our businesses:

Trademark	Trademark number	Owner	Place of registration	Class	Registration Date	Expiry Date
^A POLYFAIR	304197574	Polyfair HK	Hong Kong	6, 37 and 42	6 July 2017	5 July 2027
^B POLYFAIR						

(b) Domain Name

As at the Latest Practicable Date, our Group had registered the following domain name that is material to our businesses:

Domain name	Registered owner	Registration date	Expiry date
polyfaircurtainwall.com.hk	Polyfair HK	4 December 2014	4 December 2019

Information contained in the above website does not form part of this prospectus.

Save as disclosed above, there are no other trade or service marks, registered designs, patents or other intellectual or industrial property rights which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Interest of Directors and the chief executive of our Company in Shares*

Immediately following completion of the Share Offer and the Capitalisation Issue, and without taking into account of any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme, the interests or short positions of each of our Directors and the chief executive in the share capital, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which will be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to our Company and the Stock Exchange are set out as follows:

Name of Directors	Capacity/ nature of interest	Number of Shares held	Approximate percentage of interest in our Company
Mr. Chow (<i>Note</i>)	Interest in controlled corporation	600,000,000 (long position)	75%

Note: C.N.Y. Holdings is the registered owner of 600,000,000 Shares and is owned as to 83% by Mr. Chow and as to 17% by Mr. Yu.

2. Interests and short positions of Substantial Shareholders in the shares, underlying shares and debentures of our Company and its associated corporations

Immediately following completion of the Share Offer and the Capitalisation Issue, and without taking into account of any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme, so far as it is known to our Directors, the following person, not being a Director or chief executive of our Company, will have an interest or short position in our Shares and underlying Shares of our Company which would fall to be or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name of Substantial Shareholders	Capacity/ nature of interest	Number of Shares held	Approximate percentage of interest in our Company
C.N.Y. Holdings	Beneficial owner	600,000,000 (long position)	75%
Ms. Hau Pak Sui (Note)	Interest of spouse	600,000,000 (long position)	75%

Note: Ms. Hau Pak Sui is the spouse of Mr. Chow and is deemed to be interested in all the Shares in which Mr. Chow is interested under Part XV of the SFO.

3. Particulars of service agreements

Each of Mr. Chow, Mr. Wong Kam Man and Mr. Yu, all being our executive Directors, has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to their respective basic salary set out below (subject to an annual increment, which will be made one year after the commencement date of the service agreement by our Company). Under the service agreements, the initial annual salary payable to each of our executive Directors is as follows:

Name	HK\$
Mr. Chow	1,440,000
Mr. Wong Kam Man	1,140,000
Mr. Yu	1,920,000

Each of our independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment. Under the letters of appointment, the initial annual salary payable to each of our independent non-executive Directors is HK\$180,000.

Save as aforesaid, none of our Directors has or is proposed to have a service contract 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)).

4. Directors' emoluments

- (i) For the year ended 31 March 2016 and 31 March 2017 and the four months ended 31 July 2017, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately HK\$3,116,000, HK\$3,458,000 and HK\$1,412,000, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 March 2018 is expected to be approximately HK\$4,200,000.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the two years ended 31 March 2016 and 31 March 2017 and for the four months ended 31 July 2017 (1) as an inducement to join or upon joining our Company or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) Save as disclosed in the sections headed "Directors and Senior Management" and "Financial Information" of this prospectus, there has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 31 March 2016 and 31 March 2017 and for the four months ended 31 July 2017.
- (v) Under the arrangements currently proposed, conditional upon the Listing, the basic annual emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors

Name	HK\$
Mr. Chow	1,440,000
Mr. Wong Kam Man	1,140,000
Mr. Yu	1,920,000

Independent non-executive Directors

Name	HK\$
Dr. Lung Cheuk Wah	180,000
Mr. Ng Ka Lok	180,000
Mr. Wong Chi Yung	180,000

- (vi) Each of our executive Directors and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or in discharge of his duties to our Group under his service contract.

5. Agency fees or commissions received

Save as disclosed in the section headed “Underwriting – Commission and Expenses” of this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

6. Related party transactions

Save as disclosed in note 30 to the Accountants’ Report set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Group has not engaged in any other material related party transactions.

7. Disclaimers

Save as disclosed in this prospectus:

- (a) without taking into 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 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 Share Offer and the Capitalisation Issue 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 nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;
- (b) none of our Directors of 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 the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once our Shares are listed on the Stock Exchange;

- (c) none of our Directors nor the experts named in the paragraph headed “E. Other Information – 7. Consents of experts” in this appendix 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 “E. Other Information – 6. Qualifications of experts” in this appendix 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.

D. SHARE OPTION SCHEME

1. Summary of the terms of the Share Option Scheme

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or a reward 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 or any entity in which our Group holds any equity interest (“**Invested Entity**”).

(ii) Who may join

Subject to the provisions in the Share Option Scheme, our Board shall be entitled at any time and from time to time within the period of 10 years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons:

- (1) any employee (whether full-time or part-time) of our Company, any of our subsidiaries and any Invested Entity;
- (2) any director (including executive, non-executive and independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (3) any supplier of goods or services to any member of our Group or any Invested Entity;
- (4) any customer of our Group or any Invested Entity;

- (5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to our Group or any Invested Entity; and
- (6) any person who, in the sole discretion of our Board, has contributed or may contribute to our Group or any Invested Entity.

(iii) Maximum number of Shares

- (1) Notwithstanding anything to the contrary herein, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.
- (2) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 80,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date, unless our Company obtains the approval of our Shareholders in general meeting for renewing the 10% limit (“**Scheme Mandate Limit**”) under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.
- (3) Our Company may seek approval of our Shareholders in general meeting to renew the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company as “renewed” shall not exceed 10% (“**Renewal Limit**”) of the total number of Shares in issue as at the date of the approval of our Shareholders on the renewal of the Scheme Mandate Limit, provided that options previously granted under the Share Option Scheme (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme) will not be counted for the purpose of calculating the Renewal Limit.

For the purpose of seeking the approval of our Shareholders for the Renewal Limit, a circular containing the information and the disclaimer as required under the GEM Listing Rules must be sent to our Shareholders.

- (4) Our Company may authorise the Directors to grant options to specified participants beyond the Scheme Mandate Limit or the Renewal Limit if the grant of such option is specifically approved by the Shareholders in general meeting. For the purpose of seeking the approval of our Shareholders, our Company must send a circular to our Shareholders containing a generic

description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and the information as required under the GEM Listing Rules.

(iv) Maximum entitlement of each participant

No option shall be granted to any participant if any further grant of options would result in the Shares issued and to be issued upon exercise of the options granted and to be granted to such person (including both exercised and outstanding options) in any 12-month period up to and including such further grant exceeding 1% of the total number of Shares in issue, unless:

- (1) such further grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 23 of the GEM Listing Rules, by resolution of our Shareholders in general meeting at which the participant and his associates shall abstain from voting;
- (2) a circular regarding the further grant has been despatched to our Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules (including the identity of the participant, the number and terms of the options to be granted and options previously granted to such participant); and
- (3) the number and terms (including the subscription price) of such option are fixed before the general meeting of our Company at which the same are approved.

(v) Grant of options to connected persons

- (1) The grant of options to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates (including discretionary trust in which any connected persons are beneficiary) requires the approval of all our independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the option) and shall comply with the relevant provisions of Chapter 23 of the GEM Listing Rules.
- (2) Where an option is to be granted to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates), and such grant will result in our Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (a) representing in aggregate more than 0.1% of the total number of Shares in issue at the relevant date of grant; and

- (b) having an aggregate value (based on the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of such grant, or if the date the such grant is not a business day, the business day immediately preceding to the date of such grant) in excess of HK\$5.0 million, such grant shall not be valid unless
 - I. a circular containing the details of the grant has been despatched to our Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules, including, in particular, (i) details of the number and terms (including subscription price) of the options to be granted to each connected person of our Company, which must be fixed before the Shareholders' meeting and the date of our Board meeting for proposing such further grant is to be taken as the date of grant for the purposes of calculating the subscription price; (ii) a recommendation from our independent non-executive Directors (excluding our independent non-executive Director who is the prospective grantee of the option) to our independent Shareholders as to voting; and (iii) the information and disclaimer required under the GEM Listing Rules and the information as may be required by the Stock Exchange from time to time; and
 - II. the grant has been approved by our Shareholders in general meeting (taken on a poll) at which all connected persons of our Company shall abstain from voting in favour of the grant.

(vi) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by a participant within the date as specified in the offer letter issued by our Company, being a date not later than 21 days from the date upon which it is made, by which the participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten (10) years after the date of adoption of the Share Option Scheme.

A consideration of HK\$1.00 is payable on acceptance of the offer of grant of an option. Such consideration shall in no circumstances be refundable. An option may be exercised in whole or in part by the grantee (or his personal representative(s)) at any time before the expiry of the period to be determined and notified by our Board to the grantee which in any event shall not be longer than ten (10) years commencing on the date of the offer letter and expiring on the last day of such ten (10)-year period subject to the provisions for early termination as contained in the Share Option Scheme.

(vii) Performance targets

Unless otherwise determined by our Board and specified in the offer letter at the time of the offer, there is no performance target required to be achieved before an Option can be exercised.

(viii) Subscription price for Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by our Board in its absolute discretion and notified to an participant, and shall be at least the higher of: (1) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant (the "**Offer Date**"); (2) the average closing price of our Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive Business Days immediately preceding the Offer Date; and (3) the nominal value of a Share on the Offer Date.

(ix) Ranking of Shares

Our Shares to be issued and allotted upon the exercise of an option shall be subject to the Articles of Association for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue as at the date of allotment and issue ("**Exercise Date**"), and will entitle the holders to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date.

(x) Restrictions on the time of grant of options

A grant of Options shall not be made after a development of or a matter constituting inside information has been the subject of a decision of our Group until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the Inside Information Provisions of Part XIVA of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong). In particular, during the period of one month immediately preceding the earlier of:

- (1) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and
- (2) the deadline for our Company to publish an announcement of its results for any year, half-year and quarterly period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement, no option may be granted.

(xi) Period of the Share Option Scheme

Subject to any prior termination by our Company in a general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme (“**Option Period**”), after which period no further option shall be granted but in respect of all options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect.

(xii) Rights on cessation of employment

Where the grantee of an outstanding option ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xxii)(5), the option shall lapse on the date of cessation (to the extent not already exercised) and not be exercisable unless our Board otherwise determines to grant an extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the discretion of our Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be an employee of our Group.

(xiii) Rights on death

Where the grantee of an outstanding option dies before exercising the option in full or at all, and none of the events specified in (xxii)(5) which would be a ground for termination of his employment or engagement arises, the option may be exercised in full or in part (to the extent not already exercised) by his personal representative(s) within 18 months following the date of his death or such longer period as our Board may at its absolute discretion determine from the date of death to exercise the option up to the entitlement of such grantee as at the date of death (to the extent which has become exercisable and not already exercised).

(xiv) Rights on a general offer other than by way of scheme of arrangement

In the event that a general or partial offer (whether by way of take-over offer, share buy-back offer is made to all the holders of Shares (other than by way of scheme of arrangement as specified in sub-paragraph (xv)) (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (within the meaning of the Takeovers Code) with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant Option Period, the grantee (or his personal representative(s)) shall be entitled to exercise the option in full (to the extent to which it has become exercisable on the date of the notice of the offeror and not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xv) Rights on a general offer by way of scheme of arrangement

In the event that a general or partial offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice.

(xvi) Rights on winding-up

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same day as or soon after it despatches such notice to each member of our Company give notice thereof to all the grantees and thereupon, each grantee (or his respective personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company, accompanied by the remittance of the subscription price in respect of the relevant option (such notice to be received by our Company not later than two business days prior to the proposed general meeting of our Company) exercise the option (to the extent which has become exercisable and not already exercised) whether in full or in part and our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee which may fall to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares.

(xvii) Rights on compromise or arrangement between our Company and its creditors

In the event that other than a general or partial offer or a scheme of arrangement contemplated in sub-paragraph (xv), if a compromise or arrangement between our Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all the grantees on the same day as it despatches the notice which is sent to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee (or his personal representative(s)) may by notice in writing to our Company accompanied by the remittance of the subscription price in respect of the relevant option (such notice to be received by our Company not later than two business days before the proposed meeting) exercise any of his options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the grantee which may fall to be issued on such

exercise credited as fully paid and register the grantee as holder of such Shares. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(xviii) Reorganisation of capital structure

In the event of a capitalisation issue, rights issue, sub-division or consolidation of the Shares or reduction of capital in our Company whilst any option remains exercisable, (excluding any alteration in the capital structure of our Company as a result of 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 to:

- (1) the number or nominal amount of Shares subject to the option so far as unexercised; and/or
- (2) the subscription price,

or any combination thereof, as an independent financial adviser appointed by our Company or the auditors shall certify in writing to our Directors, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided that any such alterations shall give a grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled, but so that no such alterations shall be made the effect of which would be to enable any Share to be issued at less than its nominal value. The capacity of the independent financial adviser or the auditors in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final, conclusive and binding on our Company and the grantees. The costs of the independent financial adviser or the auditors shall be borne by our Company. Notice of such alteration(s) (if any) shall be given to the grantees by our Company.

(xix) Cancellation of options

Our Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any option granted but not exercised. Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under this Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the Scheme Mandate Limit approved by our Shareholders.

(xx) Termination of Share Option Scheme

Our Company, by 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 option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination and not then exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme and the GEM Listing Rules.

(xxi) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber, assign or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so. Any breach of the foregoing by the grantee shall entitle our Company to cancel any option or part thereof granted to such grantee (to the extent not already exercised) without incurring any liability on the part of our Company.

(xxii) Lapse of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (1) the expiry of the Option Period (subject to the provision referred to in sub-paragraph (xx));
- (2) the expiry of the periods referred to in sub-paragraphs (xii), (xiii) or (xv);
- (3) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer, the expiry of the period referred to in sub-paragraph (xiv);
- (4) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (xvi);
- (5) subject to the expiry of the period of extension (if any) referred to in paragraph (xii), the date on which the grantee ceases to be a participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in paragraph (xxii) (6) below. A transfer of employment from one company to another company within our Group shall not be considered a cessation of employment;

- (6) the date on which the grantee ceases to be a participant by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him a participant, on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty;
- (7) the date of the commencement of the winding-up of our Company;
- (8) the date on which the grantee sells, transfers, charges, mortgages, encumbers, assigns or creates any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or purports to do any of the foregoing in breach of the Share Option Scheme; and
- (9) the cancellation of option referred to in sub-paragraph (xix).

(xxiii) Alterations to the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or participants except with the prior approval of a resolution of our Shareholders in general meeting, with grantees and their associates abstaining from voting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of our Shareholders under the Articles of Association for a variation of the rights attached to our Shares. Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature or change the authority of our Board, shall be approved by the Stock Exchange and our Shareholders, except where the alterations 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. Any change to the authority of our Directors or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders at general meeting.

(xxiv) Conditions

The Share Option Scheme is conditional on:

- (1) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, our Shares in issue, our Shares to be issued pursuant to the Share Offer, the Capitalisation Issue, and any Shares which may fall to be issued pursuant to the exercise of any options under the Share Option Scheme;

- (2) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (3) the commencement of dealings in our Shares on the Stock Exchange.

2. Present status of the Share Option Scheme

(i) Approval and adoption of the rules of the Share Option Scheme

The rules of the Share Option Scheme were approved and adopted by our sole Shareholder on 25 January 2018.

(ii) Application for Listing

Application has been made to the Stock Exchange for the listing of, and permission to deal in, our Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 80,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date unless our Company obtains the approval of our Shareholders in general meeting for renewing the said 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit above-mentioned.

(iii) Grant of option

As at the Latest Practicable Date, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION**1. Tax and other indemnities**

Each of our Controlling Shareholders pursuant to the Deed of Indemnity referred to in the paragraph headed “B. Further Information about the Business of our Group – 1. Summary of material contracts” in this appendix, has given joint and several indemnities in respect of, among other things, (a) any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by our Company or any members of our Group by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in Hong Kong or any other relevant jurisdiction as a result or in consequence of any event or transaction occurring on or before the Listing Date, whether or not such event or transaction shall have taken place in conjunction with any circumstances whenever occurring; (b) any tax liabilities which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the Listing Date or any event or transaction entered into or occurring 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 including without limitation, any taxation falling on any market of our Group resulting from or by reference to the Reorganisation.

Our Controlling Shareholders will, however, not be liable under the Deed of Indemnity where:

- (i) to the extent that provision has been made for such taxation in the audited accounts of any of the Group Companies for any accounting period up to 31 July 2017; or
- (ii) to the extent that such taxation or liability for such taxation falling on any of the Group Companies in respect of any accounting period commencing on 31 July 2017 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any members of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers; or
- (iii) to the extent that such taxation liability or claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong or any part of the world) coming into force after the date of this Deed 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; or

- (iv) to the extent that any provisions or reserve made for taxation in the audited accounts of any member of the Group for each of the two years ended 31 March 2016 and 31 March 2017 and for the four months ended 31 July 2017 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 provision to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (v) to the extent that such taxation arises as a result of any members of the Group or any of them being in breach of any provision of the Deed of Indemnity; or
- (vi) to the extent that such taxation arises as a result of any incomes, profits or gains earned, accrued or received by any member of the Group or any event occurred or any transactions entered into in the ordinary course of business of the Group Companies on or after 31 July 2017.

Our Controlling Shareholders have also irrevocably and unconditionally agreed and undertaken to each of the members of our Group, on a joint and several basis, that they shall indemnify and, at all times, keep the same indemnified on demand from and against all sums, outgoing, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties, payments, suits, and expenses associated, incurred or suffered by our Company or any of the members of our Group, directly or indirectly, in connection with:

- (a) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual or tortious nature, or otherwise instituted by or against our Company and/or any of the members of our Group, which was issued and/or accused and/or arising from any act, non-performance, omission or otherwise of our Company or any of the members of our Group on or before the Listing Date, including any claims of our Group as disclosed under the sub-section "Business – Legal proceedings and material claims" of this prospectus;
- (b) any irregularities in relation to the corporate documents of any of the members of our Group; and
- (c) any non-compliance with the applicable laws, rules or regulations by our Company and/or any of the members of our Group on or before the Listing Date, including the non-compliance of our Group as disclosed under the paragraph headed "Business – Non-compliance" of this prospectus, except that specific provision, reserve or allowance has been made for such liabilities in the audited consolidated accounts of our Group on or before the Listing Date.

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed under the sub-sections “Business – Legal proceedings and material claims” and “Business – Non-compliance” of this prospectus, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group which would have a material adverse effect on our business, result of operations or financial conditions.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus, any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme on the Stock Exchange.

The Sole Sponsor satisfies the independence criteria applicable to sponsors under Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor is entitled to the sponsor’s fee in the amount of HK\$5.5 million.

4. Preliminary expenses

The preliminary expenses of our Company in relation to the Share Offer are approximately HK\$43,000 and are payable by our Company.

5. Promoter

Our Company has no promoter. Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of our Company in connection with the Share Offer or the related transactions described in this prospectus.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Sunfund Capital Limited	licensed corporation holding a licence to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Dentons Law Offices	Legal advisers as to PRC law
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Parkwell Corporate Consultancy Limited	Internal control advisers
Michael Li & Co.	Legal advisers as to Hong Kong law

7. Consents of experts

Each of the experts referred to under the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or the references to its name included herein in the form and context in which they are respectively included.

None of the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Binding Effect

This prospectus shall have the effect, if application is made in pursuance hereof, of rendering all persons concerned bound by all 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.

9. Share registrar

Our Company's principal register of members will be maintained in the Cayman Islands by our Cayman Islands share registrar, Conyers Trust Company (Cayman) Limited, and a branch register of members will be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title of our Shares must be lodged for registration with and registered by our share registrar in Hong Kong and may not be lodged in the Cayman Islands.

10. 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). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

11. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

- (b) 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;
- (c) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (d) all necessary arrangements have been made enabling our Shares to be admitted into CCASS;
- (e) our Company has no outstanding convertible debt securities;
- (f) neither our Company nor any of our subsidiaries has issued or agreed to issue any founder shares or management shares or deferred shares or any debentures;
- (g) 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;
- (h) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 July 2017 (being the date to which the latest audited combined financial statements of our Group were made up);
- (i) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and
- (j) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were the Application Forms, copies of the written consents referred to in the paragraph headed “E. Other information – 7. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in the paragraph headed “B. Further Information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Michael Li & Co., our legal advisers as to Hong Kong law, at 19/F, Prosperity Tower, 39 Queen’s Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and Articles of Association of our Company;
2. the Accountants’ Report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
3. the audited consolidated financial statements of Polyfair HK and its subsidiary for each of the two years ended 31 March 2017 and the four months ended 31 July 2017;
4. the management accounts of the Company for the period from 25 May 2017 (date of incorporation) to 31 July 2017;
5. the management accounts of the Polyfair Group for the period from 8 June 2017 (date of incorporation) to 31 July 2017;
6. the report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
7. the rules of the Share Option Scheme referred to in the paragraph headed “D.Share Option Scheme” in Appendix IV to this prospectus;
8. the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
9. the PRC legal opinion prepared by Dentons Law Offices in respect of certain statements referred to in this prospectus;
10. the Companies Law;
11. the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;

12. the written consents referred to in the paragraph headed “E. Other information – 7. Consents of experts” in Appendix IV to this prospectus;
13. the service agreements and letters of appointment referred to in the paragraph headed “C. Further information about Directors, management and Substantial Shareholders – 3. Particulars of service agreements” in Appendix IV to this prospectus; and
14. the internal control report prepared by Parkwell Corporate Consultancy Limited.

POLYFAIR
寶發控股有限公司
POLYFAIR HOLDINGS LIMITED

