



**FULLWEALTH CONSTRUCTION HOLDINGS COMPANY LIMITED**  
**富匯建築控股有限公司**

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

**Stock code: 1034**

**SHARE OFFER**

**Sponsor, Bookrunner and Lead Manager**

**FRONTPAGE 富比**

**Co-Managers**



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## IMPORTANT

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



## FULLWEALTH CONSTRUCTION HOLDINGS COMPANY LIMITED

富匯建築控股有限公司

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

### SHARE OFFER

Number of Offer Shares	: 400,000,000 Shares
Number of Public Offer Shares	: 40,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 360,000,000 Shares (subject to reallocation)
Maximum Offer Price	: HK\$0.34 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollar and subject to refund)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 1034

Sponsor, Bookrunner and Lead Manager

**FRONTPAGE** 富比

Frontpage Capital Limited

Co-Managers



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Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC 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 SFC 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 our Company and the Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company and the Lead Manager (for itself and on behalf of the Underwriters) but in any event no later than Friday, 26 October 2018. The Offer Price will be not more than HK\$0.34 per Offer Share and is expected to be not less than HK\$0.32 per Offer Share, unless otherwise announced.

The Lead Manager (for itself and on behalf of the Underwriters) may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice will be available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.fullwealth.hk](http://www.fullwealth.hk). Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" of this prospectus.

If, for any reason, the Offer Price is not agreed between the Lead Manager (for itself and on behalf of the Underwriters) and our Company on or before Friday, 26 October 2018, the Share Offer will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the Application Forms, including the risk factors set out in the section headed "Risk Factors" of this prospectus. The obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Lead Manager (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" of this prospectus.

15 October 2018

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## EXPECTED TIMETABLE

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*If there is any change in the following expected timetable, we will issue an announcement on the respective website of our Company at [www.fullwealth.hk](http://www.fullwealth.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*

**2018**

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from . . . . . 9:00 a.m. on  
Monday, 15 October

Application lists for Public Offer open<sup>(2)</sup> . . . . . 11:45 a.m. on  
Friday, 19 October

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

Application Forms . . . . . 12:00 noon on  
Friday, 19 October

Latest time for giving **electronic application instructions**

to HKSCC<sup>(3)</sup> . . . . . 12:00 noon on  
Friday, 19 October

Application lists for Public Offer close<sup>(2)</sup> . . . . . 12:00 noon on  
Friday, 19 October

Expected Price Determination Date on or about<sup>(4)</sup> . . . . . Monday, 22 October

Announcement of the final Offer Price, the level of indication  
of interest in the Placing, the level of application in the Public Offer  
and the basis of allocation of the Public Offer Shares to be published  
on the website of our Company at [www.fullwealth.hk](http://www.fullwealth.hk)<sup>(5)</sup> and  
on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk)  
on or before . . . . . Monday, 29 October

Announcement of results of allocations under the Public Offer  
(with successful applicant's identification document or business  
registration numbers, where appropriate) to be available through  
a variety of channels as described in the section headed  
"How to Apply for the Public Offer Shares – 10. Publication of results"  
in this prospectus including the website of our Company  
at [www.fullwealth.hk](http://www.fullwealth.hk)<sup>(5)</sup> and the website of the Stock Exchange  
at [www.hkexnews.hk](http://www.hkexnews.hk) on or before . . . . . Monday, 29 October

Results of allocation in the Public Offer will be  
available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a  
"search by ID" function from . . . . . Monday, 29 October

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## EXPECTED TIMETABLE

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Despatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly-or partially successful applications pursuant to the Public Offer on or before<sup>(6)(8)</sup> . . . . . Monday, 29 October

Despatch/collection of refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before<sup>(7)(8)</sup> . . . . . Monday, 29 October

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . . Tuesday, 30 October

*Notes:*

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 19 October 2018, the application lists will not open on that day. See “How to Apply for the Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” of this prospectus.
3. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed “How to Apply for the Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” of this prospectus.
4. The Price Determination Date is expected to be on or around Monday, 22 October 2018 and, in any event, not later than Friday, 26 October 2018. If, for any reason, the Offer Price is not agreed between the Lead Manager (for itself and on behalf of the Underwriters) and our Company on or before Friday, 26 October 2018, the Share Offer will not proceed and will lapse.
5. None of the website or any of the information contained on the website forms part of this prospectus.
6. Share certificates will only become valid at 8:00 a.m. on Tuesday, 30 October 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” of this prospectus has not been exercised. 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.
7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque, if any.
8. Applicants who apply on WHITE Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Monday, 29 October 2018 or such other date as notified by our Company as the date of despatch/collection of Share certificates/refund cheques. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through

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## EXPECTED TIMETABLE

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their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Company's Hong Kong Branch Share Registrar at the time of collection. Applicants who apply on YELLOW Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for YELLOW Application Form applicants are the same as those for WHITE Application Form applicants. Applicants who have applied for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for the Public Offer Shares – 13. Despatch/Collection of Share certificates and refund monies – personal collection – (iii) If you apply via electronic application instructions to HKSCC" of this prospectus for details. Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications. Further information is set out in the sections headed "How to Apply for the Public Offer Shares – 12. Refund of application monies" and "How to Apply for the Public Offer Shares – 13. Despatch/Collection of Share certificates and refund monies" of this prospectus. **The above expected timetable is a summary only. You should read carefully the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" of this prospectus for details of the structure of the Share Offer, including the conditions of the Share Offer and the procedures for application for the Public Offer Shares.**

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or 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 to buy in any other jurisdiction or in any other circumstances.*

*No action has been taken to permit an offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.*

*You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sponsor, the Bookrunner, the 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 Sponsor, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer.*

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## SUMMARY

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

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

### OUR BUSINESS

#### Overview

We are a contractor which has a long history of undertaking civil engineering works in Hong Kong with operation history since 1997. During the Track Record Period, a majority of our civil engineering works can be broadly categorised as (i) site formation; (ii) ELS and pile cap construction; and (iii) roads and drainage and waterworks. We are able to undertake civil engineering works as either a main contractor or a subcontractor. Since June 2017, our Group has also been registered as a Registered General Building Contractor with the Buildings Department and as such, our Group is qualified to carry out private sector building works as well as A&A works as a main contractor.

The following table sets forth a breakdown of our revenue by types of works, sectors and our role as main contractor or subcontractor during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April 2018	
	2015		2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Civil engineering works</b>								
Site formation	19,920	8.4	10,365	2.9	98,027	24.7	30,819	41.4
ELS and pile cap construction	159,546	67.4	344,277	95.8	197,617	49.7	17,454	23.4
Roads and drainage and waterworks	57,213	24.2	4,799	1.3	78,348	19.7	17,571	23.6
<b>Building works</b>								
Building and A&A works	–	–	–	–	23,357	5.9	8,602	11.6
<b>Total</b>	<b>236,679</b>	<b>100.0</b>	<b>359,441</b>	<b>100.0</b>	<b>397,349</b>	<b>100.0</b>	<b>74,446</b>	<b>100.0</b>

	For the year ended 31 December						For the four months ended 30 April 2018	
	2015		2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector	57,213	24.2	41,079	11.4	152,020	38.3	48,894	65.7
Private sector	179,466	75.8	318,362	88.6	245,329	61.7	25,552	34.3
<b>Total</b>	<b>236,679</b>	<b>100.0</b>	<b>359,441</b>	<b>100.0</b>	<b>397,349</b>	<b>100.0</b>	<b>74,446</b>	<b>100.0</b>

	For the year ended 31 December						For the four months ended 30 April 2018	
	2015		2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	–	–	13,985	3.9	65,194	16.4	17,699	23.8
Subcontractor	236,679	100.0	345,456	96.1	332,155	83.6	56,747	76.2
<b>Total</b>	<b>236,679</b>	<b>100.0</b>	<b>359,441</b>	<b>100.0</b>	<b>397,349</b>	<b>100.0</b>	<b>74,446</b>	<b>100.0</b>



## SUMMARY

During the Track Record Period, we undertook works in an aggregate of 29 civil engineering projects and 3 building works projects, all of which contributed revenue to our Group. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, we were awarded 9, 6, 14 and 4 projects, respectively.

We secured our projects mainly from civil engineering or building construction main contractors or subcontractors, the Government and developers, after going through a competitive bidding process whereby we either (i) are invited or selected by potential clients to submit quotation or tender; or (ii) submit our bid in response to tender information and invitation published in the Gazette and/or the websites of various departments of the Government.

As at the Latest Practicable Date, we have 14 civil engineering projects and 2 building works projects on hand, all of which are ongoing.

### Gross profit/(loss) and gross profit/(loss) margin

The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margin by type of works during the Track Record Period:

#### Gross profit/(loss)

	For the year ended			For the
	31 December			four
	2015	2016	2017	months
	HK\$'000	HK\$'000	HK\$'000	ended 30
				April
				2018
				HK\$'000
<b>Civil engineering works</b>				
Site formation	1,357	1,866	14,023	2,217
ELS and pile cap construction	18,589	31,932	29,796	2,048
Roads and drainage and waterworks	(419)	737	11,640	2,569
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Building works</b>				
Building and A&A works	–	–	3,356	810
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<u>19,527</u>	<u>34,535</u>	<u>58,815</u>	<u>7,644</u>

#### Gross profit/(loss) margin

	For the year ended 31 December			For the
				four
	2015	2016	2017	months
	%	%	%	ended 30
				April
				2018
				%
<b>Civil engineering works</b>				
Site formation	6.8	18.0	14.3	7.2
ELS and pile cap construction	11.7	9.3	15.1	11.7
Roads and drainage and waterworks	(0.7)	15.4	14.9	14.6
<b>Building works</b>				
Building and A&A works	N/A	N/A	14.4	9.4
<b>Overall</b>	<b>8.3</b>	<b>9.6</b>	<b>14.8</b>	<b>10.3</b>

During the Track Record Period, our gross profit/(loss) margin varied across projects. Our project gross profit/(loss) and gross profit/(loss) margin depended on a number of factors, including (i) the agreed price; (ii) the nature and complexity of projects that were undertaken by our Group; (iii) the progress of such projects during the relevant financial year; and (iv) our cost control and management.

## SUMMARY

### Tenders submitted during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, 12 of our projects were obtained through the process of tendering while the remaining projects were secured by quotation invitation. The following table sets out the tender success rates during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			For the four months ended 30 April 2018	From 1 May 2018 up to the Latest Practicable Date
	2015	2016	2017		
Number of tenders submitted	5	6	9	3	8
Number of successful tenders	–	2	5	2	3
Success rate (%)	–	33.3	55.6	66.7	37.5

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 and subsequent to the Track Record Period and up to the Latest Practicable Date, we were awarded 9, 4, 11, nil and nil projects, respectively, through quotation invitation.

### Projects on hand

As at the Latest Practicable Date, we had 16 projects on hand (including projects in progress and projects which are awarded to us but have not yet commenced), details of which are set out in the section headed “Business – Our projects – Projects on hand” in this prospectus.

### Completed projects

During the Track Record Period and up to the Latest Practicable Date, we completed 21 projects, details of which are set out in the section headed “Business – Our projects – Completed projects” in this prospectus.

### Our project backlog

As at 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 and the Latest Practicable Date, we had a total of 6, 5, 11, 13 and 16 projects in our backlog (representing projects awarded but not completed at the respective dates), respectively. Set out below is the table showing the number of our projects in backlog, completed and awarded and the corresponding aggregate awarded initial contract sum during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December						For the four months ended 30 April 2018		From 1 May 2018 to the Latest Practicable Date	
	2015		2016		2017		April 2018		Practicable Date	
	Number of contracts attributed	Number of contracts attributed	Number of contracts attributed	Number of contracts attributed	Number of contracts attributed	Number of contracts attributed	Number of contracts attributed	Number of contracts attributed	Number of contracts attributed	Number of contracts attributed
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening aggregate awarded initial contract sum of backlog	–	–	6 367,652	5 415,160	11 605,262	13 590,846	–	–	–	–
	(Note 3)									
Aggregate awarded initial contract sum of new contracts awarded	9 742,210	6 380,726	14 474,160	4 69,595	4 69,595	4 179,331	–	–	–	–
Aggregate awarded initial contract sum of completed contracts	(3) (374,558)	(7) (333,218)	(8) (284,058)	(2) (84,011)	(2) (84,011)	(1) (5,680)	–	–	–	–
Closing awarded initial contract sum of backlog	6 367,652	5 415,160	11 605,262	13 590,846	13 590,846	16 764,497	–	–	–	–

## SUMMARY

### Notes:

1. Date of award of a contract refers to the date of letter of intent, letter of award or actual commencement date of construction activities, whichever is the earliest.
2. The completion date is based on the management's best estimates according to the completion date specified in the practical or substantial completion certificate (if any) or any date which was mutually agreed by us and the customer.
3. Our Group did not take any new projects in 2014 in light of the changes in shareholders and management and it had nil contracts brought forward at the beginning of 2015.
4. Revenue recognised may be different from initial contract sum due to the amount of variation orders and progress of projects.

### Direct costs

The following table sets out the breakdown of our Group's direct costs during the Track Record Period:

	2015		For the year ended 31 December				For the four months ended 30 April 2018	
	HK\$'000	%	2016 HK\$'000	%	2017 HK\$'000	%	HK\$'000	%
Subcontracting charges	134,906	62.1	147,344	45.3	202,386	59.8	35,134	52.6
Cost of construction materials	79,945	36.8	159,420	49.1	96,871	28.6	13,417	20.1
Direct labour costs	1,528	0.7	13,558	4.2	27,433	8.1	12,285	18.4
Other direct costs	773	0.4	4,584	1.4	11,844	3.5	5,966	8.9
	<u>217,152</u>	<u>100.0</u>	<u>324,906</u>	<u>100.0</u>	<u>338,534</u>	<u>100.0</u>	<u>66,802</u>	<u>100.0</u>

Our key direct costs in the provision of our construction activities are, among others, (i) subcontracting charges; (ii) cost of construction materials; and (iii) direct labour costs. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the aggregate of subcontracting charges, cost of construction materials and direct labour costs represented 99.6%, 98.6%, 96.5% and 91.1% of our total direct costs, respectively. For details of our cost structure and the period-to-period comparison of our direct costs during the Track Record Period, please refer to the section headed "Financial Information – Period to period comparison of results of operations" in this prospectus.

### Customers

Our target customers are primarily the different Government departments, construction contractors and developers in Hong Kong. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the percentage of our Group's aggregate turnover attributable to our Group's largest customer was approximately 57.9%, 42.0%, 45.6% and 30.6% for the corresponding periods, respectively, while the percentage of our Group's total turnover attributable to our five largest customers in aggregate was approximately 100.0%, 96.2%, 93.7% and 90.8%, respectively. Our Group's largest customer was New Concepts Foundation Limited ("NCF") for the years ended 31 December 2015, 2016 and 2017 and Chung Shun Construction Limited ("Chung Shun") for the four months ended 30 April 2018.

Our Directors consider that the substantial revenue contribution from NCF to us and our customer concentration during the Track Record Period is not extreme and will not affect our business prospects and sustainability of our business. For further details, please refer to the section headed "Business – Customer concentration" in this prospectus.

NCF, C&H and Chung Shun, our top five customers, had also been our subcontractors during the Track Record Period. For further details, please refer to the section headed "Business – Subcontracting arrangements" in this prospectus.

### Suppliers

Our suppliers primarily supply the following materials to us: concrete, steel, plastic pipes and metal pipes and metal wares. For details of our suppliers, please refer to the section headed "Business – Suppliers" in this prospectus.

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## SUMMARY

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During the Track Record Period, we had contra-charge arrangements with some of our customers. Such contra-charge consisted of purchase cost of construction materials, rental cost of site equipment, utility cost and other miscellaneous expenses. For details of the contra-charge arrangement, please refer to the section headed “Business – Contra-charge arrangement with our customers” in this prospectus.

### Subcontractors

We usually subcontract ELS works, excavation, site formation and construction of concrete structures in a project, while our direct labour will be responsible for project supervision, site safety and general labour works.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, subcontracting charges incurred by our Group amounted to approximately HK\$134,906,000, HK\$147,344,000, HK\$202,386,000 and HK\$35,134,000, respectively. For details of our subcontracting arrangements, please refer to the section headed “Business – Subcontracting arrangements” in this prospectus.

### COMPETITIVE STRENGTHS

We believe that we possess the following competitive strengths that distinguish our Group and set us apart from our competitors:

- Skilled contract management and expertise in dealing with construction contracts’ financial issues
- Experienced, stable and highly dedicated management team
- Diversified and stable customer relationship
- Stringent quality control

For further details, please refer to the section headed “Business – Our competitive strengths” in this prospectus.

### BUSINESS STRATEGIES

Our principle business objective is to achieve sustainable growth in our current business and to capture more business opportunities by executing the following strategies:

- Acquire 1 crawler crane, 5 excavators, 1 truck mounted concrete pump, 5 hydraulic breakers and 6 crane lorries
- Strengthen our market position as a civil engineering contractor and obtain market share in building construction works by setting up a new building construction project management team and increasing the project management staff for our civil engineering team
- Adhere to prudent financial management to ensure optimal finance costs and capital sufficiency by utilising net proceeds of the Share Offer to repay some existing finance lease obligations and finance existing and new building construction projects

For further details, please refer to the section headed “Business – Our business strategies” in this prospectus.

### SUMMARY OF FINANCIAL INFORMATION

#### Highlights of consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 December			For the four months ended 30 April
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	236,679	359,441	397,349	74,446
Gross profit	19,527	34,535	58,815	7,644
Profit from operation	16,625	34,073	55,935	31
Profit/(loss) before taxation	16,611	34,067	55,232	(322)
Profit/(loss) and total comprehensive income for the year/period	14,211	28,467	45,611	(1,335)

## SUMMARY

We recognised revenue of approximately HK\$236,679,000, HK\$359,441,000, HK\$394,349,000 and HK\$74,446,000 for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. Such increase was mainly resulted from the increase in number of projects undertaken.

We recorded a gross profit of approximately HK\$19,527,000, HK\$34,535,000, HK\$58,815,000 and HK\$7,644,000 for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. Such increase was mainly due to the increase in revenue and the increase in gross profit margin.

For further details, please refer to the section headed “Financial Information – Period to period comparison of results of operations” in this prospectus.

### Highlights of consolidated statements of financial position

	For the year ended 31 December			For the four months ended 30 April
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Non-current assets	766	8,728	30,736	29,525
Net current assets	18,406	39,290	53,603	50,329
Total assets less current liabilities	19,172	48,018	84,339	79,854
Non-current liabilities	(39)	(418)	(8,128)	(6,221)
Net assets	19,133	47,600	76,211	73,633
Total equity	19,133	47,600	76,211	73,633

As of 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 we recorded non-current assets of approximately HK\$766,000, HK\$8,728,000, HK\$30,736,000 and HK\$29,525,000, respectively. Such increase was mainly resulted from the acquisition of plant and machinery during the Track Record Period.

As of 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, we recorded net current assets of approximately HK\$18,406,000, HK\$39,290,000, HK\$53,603,000 and HK\$50,329,000, respectively. Such increase was a result of our business growth.

### Highlights of consolidated statements of cash flows

	For the year ended 31 December			For the four months ended 30 April
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Net cash generated from/(used in) operating activities	16,010	20,522	18,483	(521)
Net cash used in investing activities	(10,719)	(4,961)	(24,488)	(2,201)
Net cash generated from/(used in) financing activities	(934)	(234)	13,697	4,592
Net increase in cash and cash equivalents	4,357	15,327	7,692	1,870
Cash and cash equivalents at the beginning of the year/period	378	4,735	20,062	27,754
Cash and cash equivalents at the end of the year/period	4,735	20,062	27,754	29,624

## SUMMARY

For the four months ended 30 April 2018, we recorded net cash used in operating activities due mainly to the listing expenses of approximately HK\$6,646,000 incurred during the period.

### Summary of financial ratios

	As at/For the year ended 31 December			As at/For the four months ended 30 April 2018
	2015	2016	2017	
Current ratio <sup>(1)</sup>	1.2	1.6	1.4	1.7
Quick ratio <sup>(2)</sup>	1.2	1.6	1.4	1.7
Gearing ratio <sup>(3)</sup>	1.3%	0.04%	37.2%	45.2%
Debt to equity ratio <sup>(4)</sup>	N/A	N/A	0.8%	5.0%
Return on equity <sup>(5)</sup>	74.3%	59.8%	59.8%	N.A.
Return on total assets <sup>(6)</sup>	14.6%	24.3%	21.0%	N.A.
Interest coverage <sup>(7)</sup> (times)	1,187.5	5,678.8	79.6	0.1

*Notes:*

1. Current ratio is total current assets divided by total current liabilities.
2. Quick ratio is total current assets less inventories divided by total current liabilities.
3. Gearing ratio is total debt (i.e. sum of all obligations under finance leases and borrowing) divided by total equity and multiplied by 100%.
4. Debt to equity ratio is total debt (i.e. sum of all obligations under finance leases and borrowing) less cash and cash equivalents divided by total equity and multiplied by 100%.
5. Return on equity is profit for the year/period divided by total equity and multiplied by 100%.
6. Return on assets is profit for the year/period divided by total assets and multiplied by 100%.
7. Interest coverage is profit before interest and tax divided by finance costs.

### SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any options that may be granted under the Share Option Scheme), Miracle Investments will control 75% of our issued share capital, which is in turn wholly-owned by Mr. Law. For the purpose of the Listing Rules, each of Mr. Law and Miracle Investments (an investment holding company wholly-owned by Mr. Law) is a Controlling Shareholder.

### OFFER STATISTICS

Market capitalisation at Listing <sup>(Note 1)</sup>	HK\$512 million to HK\$544 million
Offer Size	25% of the enlarged issued share capital of our Company
Offer Price per Offer Share	HK\$0.32 to HK\$0.34
Number of Offer Shares	400,000,000 Shares
Number of Public Offer Shares	40,000,000 Shares
Number of Placing Shares	360,000,000 Shares
Board lot	8,000 Shares
Unaudited pro forma adjusted net tangible assets per Share <sup>(Note 2)</sup>	HK\$0.113 based on an Offer Price of HK\$0.32 per Share; HK\$0.118 based on an Offer Price of HK\$0.34 per Share

*Notes:*

1. The calculation of the market capitalisation of the Shares is based on 1,600,000,000 Shares in issue immediately after completion of the Share Offer.
2. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to under the paragraph headed "Unaudited Pro Forma Financial Information – Unaudited pro forma statement of adjusted consolidated net tangible assets" in Appendix II to this prospectus and on the basis of 1,600,000,000 Shares in issue at the respective Offer Prices of HK\$0.32 to HK\$0.34 per Share immediately follow completion of the Share Offer.
3. The unaudited pro forma adjusted net tangible assets of our Group does not take into account of the interim dividends of HK\$25,000,000 declared on 4 October 2018. Had such dividends been taken into account, the unaudited pro forma adjusted net tangible assets of our Group per Share would be approximately HK\$0.098 assuming an Offer Price of HK\$0.32 per Share, and approximately HK\$0.102, assuming an Offer Price of HK\$0.34 per Share.

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## SUMMARY

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### FUTURE PLANS AND USE OF PROCEEDS

We estimate the net proceeds of the Share Offer which we will receive, assuming an Offer Price of HK\$0.33 per Offer Share (being the mid-point of the Offer Price range of HK\$0.32 to HK\$0.34 per Offer Share), will be approximately HK\$101.4 million, after deduction of underwriting fees and commissions and estimated expenses payable in connection with the Share Offer.

We intend to apply the net proceeds from the Share Offer within 18 months from the Listing Date for various purposes as follows:

- approximately 45.4%, or HK\$46.0 million, will be used to acquire machinery and equipment to upgrade and enlarged our fleet of machinery;
- approximately 31.3%, or HK\$31.7 million, will be divided into sums of HK\$9.0 million and HK\$22.7 million and used to finance both existing and the undertaking of a new building construction project, respectively;
- approximately 11.8%, or HK\$12.0 million, for strengthening manpower for our existing civil engineering project management and setting up a new project management team for building construction to cater to the potential business opportunities arising from possible building construction or A&A projects;
- approximately 5.6% or HK\$5.7 million, will be applied for the repayment of existing finance lease obligations; and
- approximately 5.9%, or HK\$6.0 million, will be applied for our general working capital, including the upgrading and maintenance of our internal accounting systems.

For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

Our Directors consider that the Listing will benefit our Group in different levels, details of which are set out in the section headed “Future Plans and Use of Proceeds – Reasons for Listing” in this prospectus.

### LISTING EXPENSES

Our estimated listing expenses primarily consist of legal and professional fees, including underwriting commission, in relation to the Listing. Assuming the Offer Price of HK\$0.33 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses are estimated to be approximately HK\$30,615,000, of which approximately HK\$12,675,000 is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standards. The remaining amount of approximately HK\$3,469,000 and HK\$6,646,000 is chargeable to the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2017 and the four months ended 30 April 2018, respectively, and approximately HK\$7,825,000 is expected to be incurred after the Track Record Period. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

### DIVIDEND

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, dividend of HK\$720,000, nil, HK\$17,000,000 and nil, respectively, was declared to the Controlling Shareholders. On 4 October 2018, members of our Group declared dividends in the sum of approximately HK\$25,000,000 to be settled by cash using internal resources before Listing, which is expected to be on 30 October 2018. Our Directors consider that there is no material adverse impact on our Group’s financial and liquidity position arising out of the dividend payment as our Group will continue to maintain net current assets and net assets position after such payment.

We do not have a predetermined dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on our Group’s future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders’ approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up on the Shares.



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## SUMMARY

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### MAJOR RISK FACTORS

We believe that there are certain risks involved in our operations, some of the risks are considered to be material, including:

- Our projects are non-recurring in nature and we may not be able to secure new projects from our existing and new customers
- As we from time to time engage subcontractors in our works, we may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of our subcontractors
- Our business is subject to certain registrations, licences and certifications, the suspension or revocation of which may affect our ability to tender new projects

For further details of the risks we are exposed to, please refer to the section headed “Risk Factors” in this prospectus.

### RECENT DEVELOPMENT AND FINANCIAL PERFORMANCE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking civil engineering projects and building works projects in Hong Kong. New projects are being undertaken by us and as at the Latest Practicable Date, we had 14 civil engineering projects and 2 building works projects on hand (including projects in progress and projects yet to commence). The aggregate contract sum of all contracts on hand is approximately HK\$788,624,000 of which approximately HK\$252,534,000 of revenue has been recognised during the Track Record Period. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them has had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. One of the projects completed during the year ended 31 December 2017 (Job 6) which had a large contract sum and higher than average overall gross profit margin. For further details of the high profitability of Job 6, please refer to the section headed “Financial Information – Period to period comparison of results of operations – Gross profit and gross profit margin” of this prospectus. As at the Latest Practicable Date, our Directors expect that none of the projects that are in progress may contribute the same scale of gross profit that also will have the same gross profit margin as Job 6 to our Group. Based on the contracts on hand and the latest progress of the projects only, our Directors expect that revenue for the year ending 31 December 2018 remain at a similar level as compared to the year ended 31 December 2017, and therefore expect that the overall gross profit margin and amount of gross profit for the year ending 31 December 2018 will be lower than that for the year ended 31 December 2017. Following the Track Record Period, we have been continuously approached by customers for submitting tenders and quotations for new projects. In this regard, our Directors have been cautiously optimistic in preparing our tenders and quotations with an aim to expand our business.

On 4 October 2018, members of our Group declared dividends in the sum of HK\$25,000,000, which will be settled by cash before Listing.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there has been no material change in our Group’s financial or trading positions or prospect of our Company or our subsidiaries since 30 April 2018 (being the date of which our Group’s latest audited consolidated financial statements were made up as set out in the Accountants’ Report in Appendix I to this prospectus) and there had been no event since 30 April 2018 which would materially affect the information shown in the Accountants’ Report in Appendix I to this prospectus.

### MATERIAL ADVERSE CHANGE

We did not experience any significant decrease in revenue or any unexpected increase in the direct costs and other costs subsequent to the Track Record Period and up to the Latest Practicable Date. As far as our Directors are aware, there are no material adverse changes affecting the industry we operate in Hong Kong which could have a material and adverse impact on our business and financial conditions and our operating results. However, (i) the impact of the Listing expenses on the profit or loss accounts; (ii) our Group’s gross profit margin is expected to decrease after the year ended 31 December 2017 as the relatively high profit margin project having been substantially completed or completed during the year ended 31 December 2017, and our gross profit margin for the four months ended 30 April 2018 was decreased to 10.3% as compared to 14.8% for the year ended 31 December 2017; and (iii) our Group’s legal and professional fee and staff costs are expected to increase after the Listing which has posted a material adverse change in the financial or trading position or prospect of our Group since 30 April 2018. Prospective investors should be aware of the impact of the Listing expenses on the financial performance of our Group for the year ending 31 December 2018.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there has been no material change in our Group’s financial or trading positions or prospect of our Company or our subsidiaries since 30 April 2018 (being the date of which our Group’s latest audited consolidated financial



## SUMMARY

statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 30 April 2018 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

### LICENSES, PERMITS AND REGISTRATION

As advised by our legal advisers as to Hong Kong laws, except for the business registration under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), save for those listed hereunder, there are no further licenses, permits or approvals required to be obtained for our Group to carry on our business as a contractor undertaking building construction and civil engineering projects.

#### 1. RGBC and Approved Contractors List

The following table summarises details of registrations held by our Group members as at the Latest Practicable Date:

Type of registration	Granting authority	Grantee	Date of first registration	Date of upcoming expiry
Registered General Building Contractor	Buildings Department	Ming Shing	14 June 2017	14 June 2020
Approved Contractor – Site Formation under Group B (Probation)	Development Bureau	Ming Shing	7 October 2005	Not applicable (Note)
Approved Contractor – Roads and Drainage under Group B (Probation)	Development Bureau	Ming Shing	24 October 2000	Not applicable (Note)
Approved Contractor – Waterworks under Group A (Probation)	Development Bureau	Ming Shing	9 April 2005	Not applicable (Note)

*Note:* The registration in the Approved Contractors List is not subject to a renewal condition. Contractors in the Group A of the relevant works category have tender limit for contracts of value of up to HK\$100 million, while contractors in the Group B of the relevant works category have tender limit for contracts of value of up to HK\$300 million. For details, please refer to the section headed "Regulatory Overview" in this prospectus.

#### 2. Subcontractor Registration Scheme

Our Group is registered as a registered subcontractor under the Subcontractors Registration Scheme of the Construction Industry Council. The following table summarises the details of such registration held by our Group as at the Latest Practicable Date:

Type of registration	Issuing authority	Grantee	Trade(s)	Specialties	Date of expiry
Registered subcontractor	Construction Industry Council	Ming Shing	Foundation and Piling	– Sheet piles – Micro piles	6 October 2023
Registered subcontractor	Construction Industry Council	Ming Shing	Concreting Formwork	– Timber formwork – Large panel formwork – Metal/system formwork	6 October 2023
Registered subcontractor	Construction Industry Council	Ming Shing	General Civil Works	– Earthwork – Roadworks – Road drainage and sewer	6 October 2023

For further details, please refer to the section headed "Business – Licenses, permits and registration" in this prospectus.

### LITIGATION AND CLAIMS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group has been involved in a number of claims, litigations and potential claims in relation to work injuries, details of which are set out in the section headed "Business – Litigation, arbitration and potential claims" in this prospectus.

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## DEFINITIONS

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

“affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Application Form(s)”	<b>WHITE</b> Application Form(s) and <b>YELLOW</b> Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, adopted on 8 October 2018 and which will become effective upon the Listing, as amended from time to time, a summary of which is contained in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law – Articles of Association” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	our board of Directors
“Bookrunner”	Frontpage Capital, being the bookrunner of the Share Offer
“business day”	a day on which licensed banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 1,199,999,900 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company, for details please refer to the section headed “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 8 October 2018” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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## DEFINITIONS

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“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Civil Link”	Civil Link Holdings Company Limited, a company incorporated in the BVI with limited liability on 30 January 2018, a direct wholly-owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Co-Managers”	AAA Securities Co. Limited, a licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO and Long Asia Securities Limited, a licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO, being the Co-Managers of the Share Offer and each an independent third parties
“Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice”	Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Company” or “our Company”	Fullwealth Construction Holdings Company Limited (富匯建築控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 19 January 2018, and whose shareholding structure is set out in the section headed “History, Development and Reorganisation – The corporate structure of our Group” of this prospectus
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of this prospectus refers to Miracle Investments and Mr. Law
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deed of Indemnity”	a deed of indemnity dated 8 October 2018 given by our Controlling Shareholders in favour of our Company (for itself and on behalf of its subsidiaries), under which the Controlling Shareholders have given certain indemnities in favour of our Company containing, among others, the indemnities referred to in the section headed “Statutory and General Information – E. Other information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 8 October 2018 given by our Controlling Shareholders in favour of our Company (for itself and on behalf of its subsidiaries), particulars of which are set out in the section headed “Relationship with Controlling Shareholders – Deed of Non-competition” of this prospectus
“Director(s)” or “our Director(s)”	the director(s) of our Company
“Factories and Industrial Undertaking Ordinance”	the Factories and Industrial Undertaking Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Frontpage Capital” or “Sponsor”	Frontpage Capital Limited, a licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the sponsor for the Listing and an independent third party
“Government”	the government of Hong Kong

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## DEFINITIONS

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“Group”, “our Group”, “we”, “our”, “us” or “Group Company”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or some or any of them
“HKFRSs”	the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“independent third party(ies)”	individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or Substantial Shareholders of our Company, our subsidiaries or any of their respective associates
“Ipsos”	Ipsos Limited, a professional market research company and an independent third party
“Ipsos Report”	the industry report prepared by Ipsos on the market and competitive landscape of civil engineering, site formation, foundation, RMAA and general building works industry in Hong Kong, the extract of which is disclosed in this prospectus
“Latest Practicable Date”	7 October 2018, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Lead Manager”	Frontpage Capital, being the lead manager of the Share Offer
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Committee”	the listing sub-committee of the Stock Exchange

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## DEFINITIONS

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“Listing Date”	the date, expected to be on or about 30 October 2018, on which our Shares are listed and from which dealings therein are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company, adopted on 8 October 2018 and which will become effective upon the Listing, as amended from time to time, a summary of which is contained in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus
“Ming Shing”	Ming Shing Construction Engineering Company Limited (明成建業工程有限公司), a company incorporated on 31 January 1997 with limited liability, an indirect wholly-owned subsidiary of our Company
“Miracle Investments”	Miracle Investments Company Limited, a company incorporated in the BVI with limited liability on 25 January 2018, wholly-owned by Mr. Law and a Controlling Shareholder
“Mr. Law”	Mr. Law Fu Keung (羅富強), our executive Director, Chairman, chief executive officer, a Controlling Shareholder and the spouse of Ms. Cheng
“Ms. Cheng”	Ms. Cheng Fung Yi (鄭鳳儀), our executive Director and the spouse of Mr. Law
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), at which Offer Shares are to be subscribed, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer – Pricing and allocation” of this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares, collectively

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## DEFINITIONS

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“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the offer price to selected professional, institutional and private investors, as described in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Placing Shares”	the 360,000,000 new Shares initially offered by our Company for subscription and/or purchase 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, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing and expected to be entered into on or around Monday, 22 October 2018 by, among others, our Controlling Shareholders, the Sponsor, the Bookrunner, the Lead Manager, the Co-Managers, the Placing Underwriters, our executive Directors and our Company, particulars of which are summarised in the section headed “Underwriting” of this prospectus
“PRC” or “China”	the People’s Republic of China (中華人民共和國), except where the context requires otherwise, and for the purpose of this prospectus only geographical references in this prospectus to the PRC or China excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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 Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement expected to be entered into between the Lead Manager (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the final Offer Price
“Price Determination Date”	the date, expected to be on or around 22 October 2018, on which the final Offer Price is to be fixed for the purpose of the Share Offer

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## DEFINITIONS

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“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, as further described in the section headed “Structure and Conditions of the Share Offer” of this prospectus and the related Application Forms
“Public Offer Shares”	the 40,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as mentioned in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer, who have entered into the Public Offer Underwriting Agreement to underwrite the Public Offer Shares
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 12 October 2018 relating to the Public Offer and entered into by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Bookrunner, the Lead Manager, the Co-Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” of this prospectus
“Regulation S”	the Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation arrangement undergone by our Group in preparation for the Listing as described in the section headed “History, Development and Reorganisation” of this prospectus
“Repurchase Mandate”	The general unconditional mandate granted to our Directors by the Shareholders in relation to the repurchase of our Shares, further information is set forth in the paragraph “Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong



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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme of our Company, conditionally approved and adopted by our Company, the principal terms of which are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, modified and supplemented from time to time
“Track Record Period”	comprises the financial years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “United States” or “US”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1993 (as amended from time to time)
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicants’ own name

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## DEFINITIONS

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“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“m”	metre
“m <sup>2</sup> ” or “sq. m.”	square metre
“mm”	millimetre
“sq. ft”	square foot
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“%”	per cent

In this prospectus, where otherwise specified:

- All dates and times refer to Hong Kong dates and time.
- Amounts denominated in US\$ have been translated, for the purpose of illustration only, into HK\$, and vice versa, in this prospectus at the rates of US\$1.00 to HK\$7.80. No representation is made that any amounts in HK\$ or US\$ can be or could have been at the relevant date converted at the above rates or any other rates or at all.
- Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments.
- Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain terms used in this prospectus in connection with our Company and its business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.*

“A&A”	alterations and additions works to existing buildings, which would also involve the design of new structural works and/or checking of structural adequacy of existing construction
“Approved Contractors List”	list of Approved Contractors for Public Works as kept by the Development Bureau
“Authorized Person”	a person whose name is on the authorized persons’ register kept under section 3(1) of the Buildings Ordinance, Chapter 123 of the Laws of Hong Kong
“bill of quantities”	a list of items giving brief identifying descriptions and the quantities measured in accordance with the document in respect of the work to be performed. The main functions of the bills of quantities are (a) to allow a comparison of tender prices of tenders obtained from tenderers; and (b) to provide a means of valuing the work executed when the contract has been entered into
“Buildings Department”	Buildings Department, a department of the Government
“CAGR”	compound annual growth rate
“CEDD”	Civil Engineering and Development Department, a department of the Government, or where the context refers to any time prior to its establishment, the relevant preceding government department which undertook such public function
“Development Bureau”	the Development Bureau of the Government
“ELS”	excavation and lateral support system, the retaining wall, which is in general temporary, to support the cut surface of the ground where excavation of substantial depth is to be carried out
“EPD”	Environmental Protection Department, a department of the Government
“foundation”	that part of a building, building works, structure or street in direct contact with and transmitting loads to the ground

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## GLOSSARY OF TECHNICAL TERMS

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“Hong Kong Interbank Offered Rate” or “HIBOR”	the rate of interest offered on Hong Kong dollar loans by banks in the interbank market for a specified period ranging from overnight to one year
“Highways Department”	Highways Department, a department of the Government
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO9001:2008”	ISO 9001:2008 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“Labour Department”	Labour Department, a department of the Government
“pile cap”	a concrete structure built on the head of a pile or a group of piles for transmission of loads from the structure above to the pile or group of piles
“Registered General Building Contractor” or “RGBC”	under section 8A of the Buildings Ordinance, the general building contractors’ register is kept by the Building Authority in which contractors may carry out general building works and street works which do not include any specialised works in the designated categories
“RMAA”	repair, maintenance, alteration and addition
“standard methods of measurement”	the standard methods of measurement, standard for preparing bills of quantities

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing by our Company which could affect the accuracy of forward-looking statements include, but are not limited to the following:

- our Group’s business prospects;
- our Group’s contracts on hand;
- future developments, trends and conditions in the industry and markets in which we operate;
- our Group’s business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which our Group operate;
- changes to the regulatory environment and general outlook in the industry and markets in which our Group operate;
- the effects of the global financial markets and economic crisis;
- our Group’s financial position;
- our Group’s ability to reduce costs;
- our Group’s dividend policy;
- the amount and nature of, and potential for, future development of our Group’s business;
- various business opportunities that our Group may pursue;
- capital market developments;
- our Group’s ability to source raw materials;

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## FORWARD-LOOKING STATEMENTS

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- fluctuation in the prices of raw materials and our Group's ability to pass-through any increases in price to customers;
- our Group's ability to protect our Group's intellectual property rights;
- our Group's ability to hire and retain talented employees;
- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other factors beyond our Group's control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

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

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## RISK FACTORS

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*Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospect of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.*

*This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.*

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

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

**A significant portion of our revenue was generated from contracts which were not recurrent in nature and were awarded by a few customers, and any decrease in the number of projects with our major customers would adversely affect our operations and financial results**

A significant portion of our revenue was derived from a small number of customers during the Track Record Period. Our top five customers' revenue contribution for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 accounted for approximately 100.0%, 96.2%, 93.7% and 90.8% of our revenue, respectively. For the corresponding periods, the largest customer accounted for approximately 57.9%, 42.0%, 45.6% and 30.6% of our revenue, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term service agreement or master service agreement with our customers. Furthermore, our service contracts are on a project-by-project basis and we secure new business mainly through direct invitation for tender or quotation by customers during the Track Record Period. As such, there is no assurance that we will be able to retain our customers upon expiry of the contract period or that they will maintain their current level of business with us in the future. If there is a significant decrease in the number of projects or size of projects in terms of contract sums awarded by our top five customers to us for whatever reason, or there is a significant decrease in the number of tender or quotation invitations in the future and we are unable to secure new projects, our financial conditions and operating results will be materially and adversely affected. Besides, if any of our top five customers experience any liquidity issues, it may result in delay or default in settling progress payments to us, which in turn will have an adverse impact on our cash flows and

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## RISK FACTORS

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financial conditions. We cannot guarantee that we will be able to diversify our customer base by obtaining significant number of new projects from our existing and potential customers.

**As we from time to time engage subcontractors in our works, we may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of our subcontractors**

As common in the construction industry, we engage subcontractors to undertake some of our project works. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, subcontracting charges incurred by us amounted to approximately HK\$134,906,000, HK\$147,344,000, HK\$202,386,000 and HK\$35,134,000, respectively. Subcontracting may expose us to risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. In the event of subcontracting our works to subcontractors, we are ultimately responsible to our customers for the works completed by our subcontractors. As a result, we may experience deterioration in the quality or delivery of our works, incur additional costs due to managing and supervising subcontractors' performance, and remedying the delays, defects or substandard materials, defective equipment, services or supplies caused by the subcontractors. Such events could impact our profitability, financial performance and reputation, or result in litigation or damage claims.

If our subcontractors violate any laws, rules or regulations in relation to health, safety and environmental matters, we may expose ourselves as liable to prosecutions by relevant authorities, and may become liable to claims for losses and damages if such violations cause any personal injuries or death or damage to properties. In the event that there is any violation, whether substantial or minor in nature, of any laws, rules or regulations, occurred at sites for which we are responsible, our operations and hence our financial position may be adversely affected.

In Government projects, any of our subcontractors' poor performance in work progress and/or failure to comply with quality, safety and/or environmental requirements will also affect adversely the scoring of our performance rating kept by the Government and thereby, decreasing our tender score in our submitted tenders for public works contracts. In a worse case scenario, the non-performance of our subcontractors can lead to removal, suspension, downgrading or demotion from the Approved Contractors List.

**Our business operates under various registrations, licences and certifications and the loss of or failure to obtain or renew any or all of these registrations, licences and/or certifications could materially and adversely affect our business**

Our business is subject to various regulations. In accordance with the laws of Hong Kong, our Group is required to obtain or maintain certain registrations, licences and/or certifications to operate our business.

In Hong Kong, for public works contracts, Government departments normally only invite contractors who are on the Approved Contractors List or the List of Approved Suppliers of Materials and Specialist Contractors for Public Works maintained by the Works



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## RISK FACTORS

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Branch of the Development Bureau to submit tenders. For works in the private sector, a contractor must register with the Buildings Department either as a general building contractor or as specialist contractor for the respective category of work it intends to carry out. The registrations with the Buildings Department as a Registered General Building Contractor or as specialist contractor require regular renewal. Although approvals by the Works Branch of the Development Bureau are not required to be renewed annually, the Development Bureau may, in certain circumstances, remove a contractor from their lists or take other disciplinary actions against a contractor, such as suspension from further tendering within a certain period of time, downgrading to probationary status, or demotion to a lower group in respect of all or any category of works, if the performance including safety performance or tendering record of the contractor is found to be unsatisfactory.

All registrations, licences and/or certifications are granted/renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant Government departments or organisations. Such criteria may include the maintenance of certain financial criteria including our working capital level, and employment of specific professional/technical staff members with the required professional qualification and/or working experience. These registrations, licences and/or certifications may only be valid for a limited period of time and may be subject to periodic reviews and renewals by Government authorities and relevant organisations. In addition, the standards of compliance required in relation thereto may from time to time be subject to changes without substantial advance notice.

We cannot provide any assurance that all these required registrations and/or certifications can be maintained or obtained/renewed in a timely manner or at all. Any changes in the existing policies by the Government authorities in relation to the construction industry may result in our failure to obtain or maintain such relevant registration, licences and/or certifications. In such circumstances, we may be required to suspend our operations, which would have a material adverse effect on our business and results of operations.

**Our Group determines our price based on the estimated time and costs required to complete the works, and the actual time and costs incurred may exceed our estimates due to unexpected circumstances, thereby adversely affect our operations and financial results**

For lump sum contracts, under normal circumstances, we determine our price by first determining the work programme and method statements and then work out the time/resources required to complete the works. Once the information becomes available, we can estimate the cost of the project. The actual time and costs involved in completing our construction projects may be adversely affected by a number of uncontrollable factors, including shortage and cost escalation in materials and direct labour, difficult geological conditions, delay due to inefficiency, errors, defects or adverse weather conditions, disputes with our subcontractors, change in design by the employers or our customers, work site accidents and changes in the Government's policy. Further, the actual site conditions may be different from that assumed in our work programme and method statements. These factors can give rise to unexpected cost overruns, and in cases where extension of time is not granted, delay in completion may result in liquidated damages, which are usually calculated by the number of days delayed times a pre-determined fixed amount per day. These events

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## RISK FACTORS

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will in turn diminish the mark-up margin or lead to overall loss for a project. There is no assurance that the actual time and costs incurred would not exceed our estimation during project implementation.

In particular, labour costs (including direct labour and subcontracting charges) are the major cost components for construction works in Hong Kong. Due to labour shortage and ageing labour, according to the Ipsos Report, the average daily wage of construction workers engaged in public sector construction projects has increased at a CAGR of 8.2%, from HK\$928.9 in 2012 to HK\$1,374.5 in 2017. During the Track Record Period, two completed projects, namely Job 8 (roads and drainage and waterworks project located at Hong Kong, Zhuhai, Macau Bridge) and Job 15 (ELS and pile cap construction project located at Yuen Long Industrial Estate), recorded overall gross loss of approximately HK\$444,000 and HK\$982,000, respectively, due to the early termination of Job 8 and mobilisation of extra resources to catch up progress for Job 15. For details, please refer to the section headed “Business – Pricing strategy” of this prospectus. If there is any unexpected significant increase in labour costs and subcontracting charges, there is no assurance that we will be able to shift the increase in cost to our customers as not all contracts with our customers contain a price fluctuation adjustment clause. Any additional cost incurred above our tender’s estimate may cause our financial performance be worse than what we expected.

**Our historical growth rate, revenue and profit margin may not be indicative of our future growth rate, revenue and profit margin**

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our revenue was approximately HK\$236,679,000, HK\$359,441,000, HK\$397,349,000 and HK\$74,446,000, respectively. For the corresponding period, our net profit was approximately HK\$14,211,000, HK\$28,467,000, HK\$45,611,000 and net loss of HK\$1,335,000, respectively. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our gross profit was approximately HK\$19,527,000, HK\$34,535,000, HK\$58,815,000 and HK\$7,644,000, respectively, whereas our gross profit margin for the corresponding period was 8.3%, 9.6%, 14.8% and 10.3%, respectively. For discussions as to our results of operations, please refer to the section headed “Financial Information – Period to period comparison of results of operations” of this prospectus.

There is an inherent risk in using such historical financial information of us to project or estimate our financial performance in the future, as they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including but not limited to, deterioration in the market conditions of the construction industry in Hong Kong, intensification of competition, aggravation in labour shortage, and other unforeseen factors such as adverse weather and geological conditions, which may delay the completion of our projects, reduce the number of projects awarded to us, and/or reduce the profit margin of our projects.

There is no assurance that we will be able to achieve the performance as we did during the Track Record Period. Owing to the completion of a sizeable project, i.e. Job 6, that resulted in an above average overall gross profit margin during the year ended 31 December 2017, we expect gross profit and gross profit margin of our Group for the year ending 31 December 2018 will be lower as compared to the corresponding period in 2017. We may not be able to maintain a trend of increasing gross margin or net profit, or even maintain at the same level in the future. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

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## RISK FACTORS

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### **The geological conditions for underground projects are difficult to anticipate and this may incur higher project expense**

Some of our works involve underground excavation and removal or stabilisation of slope and excavated shaft wall. We are exposed to inherent project risk that the geological conditions of the sites are difficult to be anticipated and unforeseen problems or circumstances may occur during the project implementation. Site survey and geotechnical reports may not be sufficient to reveal precisely the actual geology beneath the construction site or slope due to limitation in the scope of the underground investigation reports, and the investigation may not be able to reveal the existence of geological obstructions or identify any antiquities, monuments or structures beneath the site. All of these may eventually present potential problems and uncertainties in carrying out our civil engineering or underground construction works, such as the possible increase in the complexity of the project and additional work procedures, workers, equipment and time are required to deal with any unexpected existence of obstructions, antiquities or monuments. If such risk arises, our progress of projects may be delayed and our project expenses may increase. As our contracts with customers are usually lump sum with no price adjustment clause, the occurrence of the above incidents may cause cost overruns of our projects and adverse effect on our profitability.

### **We plan to expand our capacity by acquiring machinery and equipment, which may result in an increase in depreciation expenses and may adversely affect our operating results and financial position**

It is our business strategies to acquire additional machinery and equipment by utilising a portion of the net proceeds from the Share Offer. Please refer to the sections headed “Business – Our Business strategies” and “Future Plans and Use of Proceeds” of this prospectus for details.

As a result of the purchase of additional machinery and equipment, based on the intended timing of deployment of the net proceeds for purchasing the additional machinery and equipment, it is estimated that additional depreciation of approximately HK\$10.5 million will be charged to our profit or loss accounts annually, based on the mid-point of the Offer Price range, after completion of the purchase of all the intended machinery.

Further, after the addition of new machinery and equipment, other operational expenses such as repair and maintenance costs may adversely affect our financial performance and operating results, regardless of whether we will have construction projects to utilise them.

### **We rely on the expertise and experience of our key management personnel**

Our success and growth depend on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our executive Directors and senior management are important to us in respect of, in particular, tender preparation, construction project management, customer relationship management, as well as satisfying the licensing requirements. We rely on the management and leadership of Mr. Law, who is our Chairman, executive Director and chief executive officer, and Ms. Cheng, who is our executive Director. Mr. Law has over 38 years of

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## RISK FACTORS

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experience in civil engineering and construction field, while Ms. Cheng has joined our Group since August 1999 and has been responsible for our Group's operation, business development, human resources, finance and administration. Mr. Law and Ms. Cheng are responsible for the overall strategic management and development of our Group's business operations. In addition, we also rely on our Group's senior management in our daily operations. Details of the expertise and experience of our executive Directors and senior management are set out in the section headed "Directors, Senior Management and Employees" of this prospectus.

If any of our executive Directors or members of senior management ceases to serve our Group in the future and our Group is unable to find a suitable replacement in a timely manner, our business, results of operation and profitability could be adversely affected.

**During the Track Record Period, our Group experienced an increase in trade receivables turnover days, and any delays and/or defaults of progress payments and/or release of retention monies by our customers may confer upon our Group an exposure to considerable credit risk and liquidity risk**

Generally, our cash inflows come from progress payments from our customers. Our customers will pay progress payments after our works commence and the value of the completed works is confirmed and certified by our customers. However, in undertaking our project works, we may incur various costs upfront, including: (i) purchase cost of construction materials; (ii) salary payments to our workers; (iii) payments to our subcontractors; and (iv) other costs such as utilities, insurance and performance bonds as required. Our major suppliers and subcontractors granted us a credit period of 0 to 50 days while we granted our major customers a credit period of 14 to 45 days from the certification of our works. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our trade receivables turnover days showed an increasing trend, at 15.7 days, 19.7 days, 39.4 days and 87.9 days, respectively. This may suggest that our Group had experienced longer time on average to collect our trade receivables. As such, we are exposed to credit risks of our customers and our liquidity is dependent on our customers making progress payment and releasing retention monies due to us on time and in full. For details of the mechanisms of the progress payments and release of retention monies, please refer to the section headed "Business – Customers, sales and marketing – Credit policy" in this prospectus.

**Our Group recorded net cash outflow from operating activities of approximately HK\$521,000 for the four months ended 30 April 2018. If our Group records net cash outflow from operating activities in the future, our liquidity and financial condition may be materially and adversely affected**

We recorded net cash outflow from operating activities of approximately HK\$521,000 for the four months ended 30 April 2018, due primarily to the payment of listing expenses.

In the event that we are unable to generate sufficient cash flow from 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

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## RISK FACTORS

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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.

**We may not be able to bill and receive the full amount of contract assets and our revenue may fluctuate due to variation orders**

Contract assets are recognised when our Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. There is no assurance that we will be able to bill and receive the full amount of contract assets as we may not be able to reach an agreement with the customers on the value of our work done. If we are not able to do so, our results of operation, liquidity and financial position may be adversely affected.

Furthermore, the aggregate amount of revenue that we are able to derive from a project may fluctuate from the original contract sum specified in the relevant contract for the project due to variation orders (including addition, modification or cancellation of certain contract works) placed by our customers from time to time during the course of project execution. Please refer to the section headed “Business – Customers, sales and marketing – Principal terms of our contracts with customers” in this prospectus for further details of variation orders. As such, there is no assurance that the amount of revenue derived from our projects will not be substantially different from the original contract sum as specified in the relevant contracts and our financial condition may be adversely affected by any decrease in our revenue as a result of variation orders.

**It is not uncommon in our industry to have occurrence of accidents causing injury to our or our subcontractors’ employees. Our financial performance and business prospect may be adversely affected by such injury claims and litigations**

It is not uncommon in the construction industry to have occurrence of accidents causing injury to our or our subcontractors’ employees, which may subsequently give rise to corresponding employees’ compensation claims and common law personal injury claims as well as criminal prosecution by the Labour Department. We may be in disputes with the injured persons in respect of our responsibilities in connection with the accidents for various reasons. Such disputes may be in connection with contributory negligence of such injured person or whether the accident occurred during his/her employment with us or our respective subcontractors. We may also face criminal proceedings for the breach of relevant safety and health legislation under the Factories and Industrial Undertakings Ordinance after industrial injuries occur. Please refer to the sections headed “Business – Occupational health and safety” and “Business – Litigation, arbitration and potential claims” of this prospectus for further information of accidents occurred during the Track Record Period and up to the Latest Practicable Date.

Poor performance on site safety will also affect our opportunity to successfully tender for public works contracts. The Government normally adopts a “formula approach” for the ordinary works contracts unless the works contracts are of high value, complex in nature and requiring a high level of coordination. According to the Tender Evaluation Methods for Works Contracts issued by the Development Bureau, the formula approach to tender

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## RISK FACTORS

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evaluation takes into account not only the tender price, but also the contractor's past performance under public works contracts, which includes a performance rating and safety rating. If accidents occur at our work sites which are either caused by us or our subcontractors, in addition to the potential claims and disputes as described above, our safety rating as worked out by the relevant Government department may be adversely affected by the time we submit tender for public works which may in turn lower our overall tender score. In such an event, we may need to lower our tender price to maintain a same tender score as if we were not affected by the occurrence of the accidents. Accordingly, our profitability and results of operation may be adversely affected. In an extreme case, the poor safety record may result in the removal, suspension, downgrading or demotion from the Development Bureau's Approved Contractors List.

**Any failure to maintain effective quality control system in our Group could have a material adverse effect on our business and operations**

Our Group has started operation since 1997, when our operating subsidiary, Ming Shing, was established. With over 20 years of history, we believe that the reputation and brand name that we have built up play a significant role in enabling us to attract customers and secure projects. The promotion and enhancement of our reputation and brand name depend largely on our ability to provide reliable, quality and timely services to our customers. If we fail to do so or our customers no longer perceive our services to be of high quality, our brand name and reputation will be adversely affected which will in turn materially and adversely affect our business, financial condition and results of operation.

Any failure or deterioration of our quality control system could result in defects in our works, which in turn may jeopardise our reputation, reduce demand for our services or even subject us to contractual liabilities and other claims. Any such claims, regardless of whether they are ultimately valid, could cause us to incur significant costs, harm our reputation and/or result in significant disruption to our operations. Furthermore, if any of such claims ultimately prove to be valid, we could be required to pay substantial monetary damages or penalties, which could have a material adverse impact on our business, financial condition and results of operations.

**Any failure, damage or loss of our machinery, or failure to invest in suitable machinery may adversely affect our market competitiveness**

Our capacity to carry out works for our customers depends on, among others, the availability of machinery, whether they are owned by us, our subcontractors or machinery vendors. There is no assurance that our machinery will not be damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery.

In addition, machinery may break down or fail to function normally due to wear and tear or mechanical issues. Any failure, damage or loss of our machinery may delay our works, adversely affect our operations and we may incur unexpected cost to arrange for a replacement of machinery. In addition, if we fail to stay abreast of market trends and invest in suitable machinery to cope with changing regulations or customer demands and specifications, our overall competitiveness and financial position and operation results may



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## **RISK FACTORS**

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be adversely affected. We recognise the importance of machinery to our construction works and we have plans to acquire machinery to enhance our capacity and improve profitability. For details about our plans on acquiring machinery, please refer to the section headed “Future Plans and Use of Proceeds” of this prospectus. However, any new machinery acquired will also be subject to the risks of failure, damage or loss as discussed above.

### **If we fail to complete our works on time or at all, we may be required to pay liquidated damage or face with other penalties**

If we fail to complete works by the relevant dates specified in the contracts, we may be required to pay liquidated damage to our customers according to the mechanisms stated in the contracts unless extension of time is granted to take into account the adverse weather condition, variations or change of design, or other factors.

There may be delay or disruption to our works due to unforeseen circumstances that are beyond our expectation or control, including but not limited to: (i) unforeseen engineering and/or construction difficulties not allowed in the original programme and method statements; (ii) unexpected geological conditions in underground works; (iii) unfavourable weather conditions; (iv) complaints from occupants nearby; (v) political activities such as protests of activists; and/or (vi) other construction risks such as work injuries and disputes with customers, suppliers, subcontractors of any tiers and other project parties. Although we may have grounds under the contract to claim for extension of time in certain delay circumstances described above, disputes may arise between our Group and our customers in ascertaining the extension of time. In the event that we need to pay liquidated damage or face with other penalties, our financial position and operating results may be adversely and materially affected.

### **We are exposed to certain types of liabilities against which our procured insurance generally does not cover**

During the Track Record Period, our Group maintained insurance coverage against, among others, (i) liability for third-party bodily injury occurred in our office premises; (ii) contractor’s all risks; (iii) loss or damage to our machinery; and (iv) third-party liability in relation to the use of our motor vehicles. Included in the paragraph headed “Business – Insurance” in this prospectus are the relevant details.

Certain types of risks, such as the risks in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. In the event that an uninsured liability arises, we may suffer losses which may adversely affect our financial position. There can be no assurance that all potential losses and claims, regardless of any cause, would be sufficiently covered and/or recoverable from the insurers.

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## RISK FACTORS

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**We may be involved in construction and/or disputes, legal and other proceedings arising from our operations from time to time and may then be exposed to significant legal liabilities**

We may be involved in disputes with our employees, customers, suppliers, subcontractors and other project parties from time to time in respect of various matters, including measurement issues, variation instructions, as well as other project related claims, such as personal injury claims, complaints about the quality of completed works and damages to machinery and equipment arising from daily operation.

Further, disputes may arise between our customers and us as to the value of work properly done in a particular period, and the progress payment that we are entitled to in the relevant period. In some projects, we may be instructed or ordered for variation works and the value of these works is generally measured by the agreed principles as provided in the contract. Disputes may however arise if our customers or us disagree with the assessment of the cost of the variation works. There is no assurance that we may be able to resolve every instance of disputes by way of negotiation and/or mediation with relevant parties. If we fail to do so, it may lead to legal and other proceedings against us, and consequently we may have to incur huge expenditures in defending ourselves or initiating proceedings against other parties to protect our interests. Handling litigations and legal proceedings can be both costly and time-consuming, and may significantly divert the efforts and resources of our management. Worse still, if we fail to obtain favourable outcomes in such proceedings, we may be liable to pay significant amount of damages which may adversely affect our operations and financial results.

**We may be liable for damage caused to underground utilities and infrastructures beneath our construction site when carrying out construction works**

When we carry out construction works which involve excavation, we may encounter fresh water and sewage piping, electrical cables, optical fibre, telephone lines and high pressure gas mains and other utilities and infrastructures which are laid underground or below carriageways and footways. If damage is caused to the underground utilities because of our works, we may be in violation of certain laws and regulations, liable for the cost of repairing the damaged utilities and infrastructures and the relevant remedial works will increase our costs for the projects and cause delay to our projects.

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

We intend to further enhance our machinery and strengthen our manpower to undertake more projects in the civil engineering sector and explore new business opportunity in the building sector in order to achieve our business objective and attain growth. Details of our plans can be referred to in the sections headed “Business – Our business strategies” and “Future Plans and Use of Proceeds” of this prospectus. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section.



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## RISK FACTORS

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There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans will materially and adversely affect our business, financial condition and results of operations.

### **RISKS RELATING TO OUR INDUSTRY**

#### **Any deterioration in the prevailing market conditions in the construction industry may adversely affect our performance and financial condition**

During the Track Record Period, all our business operations are located in Hong Kong. Our direct customers are primarily main contractors or subcontractors of various types of property development or civil engineering projects in Hong Kong, whose owners are our ultimate customers. Our direct customers also include the Government for our public works contracts. The number of projects awarded to us depends highly on the prevailing market conditions in the construction industry, including shortage of skilled labour, economic fluctuations in Hong Kong, availability of new projects in the private sector, approval for funding proposals for public works contracts, and general conditions and development of Hong Kong economy. If there is any significant deterioration in any of these factors, our operating results and financial conditions could be adversely affected.

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

Weather conditions, natural disasters and other acts of God which are beyond our control may materially and adversely affect the economy, the civil engineering and building construction industry and our business. Political unrest may also cause damage or disruption to our business, our employees and our markets. All these events may lead to downturn of our operations and financial condition.

In addition, power failures, fire or explosions or other natural disasters may cause disruptions to our Group's operations or delays in our delivery schedules. Furthermore, Hong Kong has in recent years encountered different types of epidemics, which have caused various degrees of damage to the economy of Hong Kong and, in turn, the construction industry. If an epidemic outbreak occurs in Hong Kong, the economy of Hong Kong may suffer which will in turn adversely affect our results of operations.

#### **Construction industry is highly labour intensive and we rely on a stable supply of labour to carry out our projects**

Construction projects involve labour intensive works. Often, especially for building construction, a large number of workers of various trades with different skills will be required within a short time frame.

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## **RISK FACTORS**

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There is no guarantee that the supply and the cost of labour will be stable. In the event that we or our subcontractors fail to retain the existing labour and/or mobilise sufficient labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in the costs of labour, we may not be able to complete our projects on schedule and within our budget. Under such circumstances, our operations and profitability may be adversely affected.

### **We operate in a competitive industry**

We operate in a highly competitive industry in which our competitors include various foreign, Hong Kong and China-based contractors that can provide services similar to ours. Comparatively, some of our competitors may have stronger brand names, bigger capital base, longer operating histories, longer and more established relationship with their customers, and greater marketing and other resources. Due to the open nature of the markets in which we operate, additional competitors with significant market presence and financial resources may also enter into the market provided that they have the relevant expertise/project reference meeting the listing requirements and are granted the requisite licences, and thereby intensify the competition. These competitors may be able to reduce our market share by adopting more aggressive pricing policies than we can or by providing services that can gain wider market acceptance than what we can offer. Existing and potential competitors may also develop relationships with our customers in a manner that could significantly harm our ability to secure contracts.

Our market position depends on our ability to anticipate and respond to various competitive factors, including price, effective cost control, customer relationship, technical expertise, quality assurance and timely completion of the contracts to meet customers' schedules. There can be no assurance that the competition will not intensify in the future. If we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial condition, results of operations and prospects may be materially and adversely affected.

### **We are exposed to environmental liability**

Our operations are subject to certain laws and regulations in relation to environmental protection. Included in the section headed "Business – Environment protection" in this prospectus are our measures and work procedures that are required to be followed by our operation staff and workers in respect of environmental protection compliance. Our Directors consider that our measures and work procedures adopted are appropriate and adequate.

During the Track Record Period and up to the Latest Practicable Date, we did not have any violation of applicable environmental laws and regulations which would have had a material impact on our business, financial condition or results of operations. In the event that our Group fails to comply with the relevant laws and regulations in relation to environmental protection, we may be imposed fines and penalty by relevant authorities which would adversely affect our business, financial condition and results of operations.

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## **RISK FACTORS**

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### **Changes in the rules and regulations governing the construction industry, the licensing regime and other health, work safety and environmental responsibilities may adversely affect our operations and profitability**

Under the relevant laws of Hong Kong, contractors undertaking construction works are required to comply with certain registration requirements and fulfil certain health, safety and environmental responsibilities. In the event that there is any change in the current regulatory regime that governs the construction industry, we may incur more costs in complying with the new requirements, and failing which may lead to the suspension or ceasing of our relevant registration to operate our business or result in regulatory non-compliances and, in turn, adversely affect our operation and financial results.

### **RISKS RELATING TO THE SHARE OFFER**

#### **There has been no prior public market for the Shares and an active trading market of the Shares may not develop**

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

#### **The liquidity, market price and trading volume of our Shares may be volatile**

Upon Listing, the trading volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the revenue, earnings and cash flows of our Group and announcements of new services and/or investments of our Group, strategic alliances and/or acquisitions, fluctuations in market prices for our Group's services or fluctuations in market prices of comparable companies, changes of senior management of our Group, changes in regulations or Government's policies towards our industry, and general economic conditions.

Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, shares of other companies listed on the Main Board have experienced substantial price volatility in the past. It is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to our Group's financial or business performance.

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## RISK FACTORS

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**Purchasers of the Offer Shares will experience an immediate dilution and may experience further dilution if our Company issues additional Shares or other securities in the future**

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible asset value per Share immediately prior to the Share Offer. Therefore, the purchasers of the Offer Shares will experience an immediate dilution in unaudited pro forma net tangible asset value to approximately HK\$0.098 per Share and approximately HK\$0.102 per Share based on the Offer Price of HK\$0.32 per Offer Share and HK\$0.34 per Offer Share, respectively on the basis that 1,600,000,000 Shares were in issue and that the Reorganisation, the payment of dividends in the sum of HK\$25,000,000 as declared on 4 October 2018, the Share Offer and the Capitalisation Issue had been completed on 30 April 2018.

Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

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

The Shares held by the Controlling Shareholders are subject to lock-up beginning on the date on which trading in the Shares commences on the Main Board. There is no assurance that the Controlling Shareholders will not dispose of the Shares held by them. Our Group cannot predict the effect, if any, of any future sales of the Shares by any substantial shareholder of our Company or Controlling Shareholders, or the availability of Shares for sale by any substantial shareholder or Controlling Shareholder may have on the market price of the Shares. Sales of a substantial amount of Shares by any substantial shareholder of our Company or Controlling Shareholder or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

**Historical dividends may not be indicative of the amount of future dividend payments or our Company's future dividend policy**

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, dividend of HK\$720,000, nil, HK\$17,000,000 and nil, respectively, was declared by Ming Shing to its then shareholder. On 4 October 2018, members of our Group declared dividends in the sum of HK\$25,000,000 to be settled by cash using internal resources before Listing, which is expected to be on 30 October 2018. 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 and paid by our Company to the Shareholders in the future after Listing. Our Company's ability to pay dividends or make other distributions to the Shareholders is

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## RISK FACTORS

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subject to the future financial performance and cash flow position of our Group. Our Company may not be able to distribute dividends to the Shareholders as a result of the abovementioned factors.

Accordingly, our Group's historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Group in the future. Our Group may not be able to record profits and have sufficient funds above its funding requirements, other obligations and business plans to declare dividends to the Shareholders.

### **The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from those in Hong Kong**

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

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

#### **Statistics and facts in this prospectus have not been independently verified**

This prospectus includes certain statistics and facts that have been extracted from Government official sources and publications or other sources. Our Company believes the sources of these statistics and facts are appropriate for such statistics and facts and we have taken reasonable care in extracting and reproducing such statistics and facts. Our Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by our Company, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors or any other parties involved in the Share Offer and therefore, our Company makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

#### **Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information**

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

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

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### **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 Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, 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.

### **INFORMATION ON THE SHARE OFFER**

The Share Offer comprises the Public Offer of 40,000,000 new Shares initially offered by our Company and the Placing of 360,000,000 new Shares initially offered by our Company (subject, in each case, to reallocation on the basis under the section headed "Structure and Conditions of the Share Offer" in this prospectus).

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein.

No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in 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" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

### **UNDERWRITING**

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters on a conditional basis, under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is

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

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expected to be entered on or around the Price Determination Date, subject to any agreement on pricing of the Offer Shares between the Lead Manager (for itself and on behalf of the Underwriters) and our Company. The Share Offer is managed by the Lead Manager.

If, for any reason, the Offer Price is not agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriters) by the Price Determination Date, the Share Offer will not proceed. Further information relating to the Underwriters and underwriting arrangement are contained in the section headed “Underwriting” in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES**

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite to solicit offers, in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sponsor, the Bookrunner, the Lead Manager and the Underwriters that such restrictions have been observed.

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

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

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

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or



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

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authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Our Company has applied to the Listing Committee for the granting of the listing of and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this prospectus, and any Shares which may fall to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme.

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

### **REGISTER OF MEMBERS AND STAMP DUTY**

All the Offer Shares will be registered on the Hong Kong Branch Share Register of members to be maintained by Tricor Investor Services Limited. Dealings in the Offer Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained by Estera Trust (Cayman) Limited in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, 30 October 2018. Except for our pending application to the Stock Exchange for listing of and permission to deal in the Offer Shares, 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 on any other stock exchange is being or proposed to be sought in the near future.

The Shares will be traded in board lots of 8,000 Shares each. The stock code of the Shares is 1034. Our Company will not issue any temporary documents of title.

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

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date determined by HKSCC.



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

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

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

Investors should seek the advice from their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

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

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

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

### **PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES**

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

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

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

### **ROUNDING**

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

### **WEBSITE**

The contents of any website mentioned in this prospectus do not form part of this prospectus.

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

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### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. However, names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in 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.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential address	Nationality
<b>Executive Directors</b>		
Mr. Law Fu Keung (羅富強)	Flat B, 16th Floor, Block 7 Sereno Verde 99 Tai Tong Road Yuen Long New Territories Hong Kong	Chinese
Ms. Cheng Fung Yi (鄭鳳儀)	Flat B, 16th Floor, Block 7 Sereno Verde 99 Tai Tong Road Yuen Long New Territories Hong Kong	Chinese
<b>Independent non-executive Directors</b>		
Ms. Li On Lei (李安梨)	Flat C, 20th Floor Tower 2, The Parkside 18 Tong Chun Street Tseung Kwan O New Territories Hong Kong	Chinese
Ms. Shum Wing Ting (沈詠婷)	Flat 9G, Wah Lai Mansion 70 Marble Road North Point Hong Kong	Chinese
Mr. Law Kam Chuen (羅錦全)	Flat C, Block 9, 21st Floor Monte Vista Ma On Shan New Territories Hong Kong	British

Please refer to the section headed “Directors, Senior Management and Employees” of this prospectus for further details.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

<b>Sponsor</b>	<b>Frontpage Capital Limited</b> 26th Floor Siu On Centre 188 Lockhart Road Wan Chai, Hong Kong <i>(A licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)</i>
<b>Bookrunner and Lead Manager</b>	<b>Frontpage Capital Limited</b> 26th Floor Siu On Centre 188 Lockhart Road Wan Chai, Hong Kong <i>(A licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)</i>
<b>Co-Managers</b>	<b>AAA Securities Co. Limited</b> Suite 6B 89 Wing Lok Street Sheung Wan, Hong Kong <i>(A licensed corporation for carrying on Type 1 (dealing in securities) regulated activities under the SFO)</i>  <b>Long Asia Securities Limited</b> Unit A, 23/F The Wellington 198 Wellington Street Sheung Wan, Hong Kong <i>(A licensed corporation for carrying on Type 1 (dealing in securities) regulated activities under the SFO)</i>
<b>Legal advisers to our Company</b>	<i>As to Hong Kong law:</i> <b>Cheung &amp; Liu, Solicitors</b> 6th Floor, Guangdong Investment Tower 148 Connaught Road Central Hong Kong <i>(Solicitors of Hong Kong SAR)</i>  <i>As to Cayman Islands law:</i> <b>Appleby</b> 2206-19 Jardine House 1 Connaught Place Central, Hong Kong <i>(Legal advisers as to Cayman Islands law)</i>

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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<b>Legal advisers to the Sponsor and the Underwriters</b>	<i>As to Hong Kong law:</i> <b>CFN Lawyers in association with Broad &amp; Bright</b> Units 4101-4104, 41st Floor Sun Hung Kai Centre 30 Harbour Road Wan Chai, Hong Kong <i>(Solicitors of Hong Kong SAR)</i>
<b>Reporting accountants and auditor</b>	<b>Crowe (HK) CPA Limited</b> 9th Floor Leighton Centre 77 Leighton Road Causeway Bay Hong Kong <i>(Certified Public Accountants)</i>
<b>Market research consultant</b>	<b>Ipsos Limited</b> 22nd Floor Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
<b>Receiving bank</b>	<b>Industrial and Commercial Bank of China (Asia) Limited</b> 33th Floor, ICBC Tower 3 Garden Road Central Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Headquarter and principal office of business in Hong Kong registered under Part 16 of the Companies Ordinance</b>	Shops 11-12, G/F Leung Choy Building 2-44 Ping Fai Path Yuen Long New Territories Hong Kong
<b>Company's website</b>	<u><a href="http://www.fullwealth.hk">www.fullwealth.hk</a></u> <i>(information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. Mok Yu Ting (莫裕庭) <i>Certified Public Accountant</i> Flat L, 13/F 23 Broadway Mei Foo Sun Chuen Lai Chi Kok Hong Kong
<b>Authorised representatives</b>	Mr. Law Fu Keung (羅富強) Flat B, 16th Floor, Block 7 Sereno Verde 99 Tai Tong Road Yuen Long New Territories Hong Kong  Mr. Mok Yu Ting (莫裕庭) <i>Certified Public Accountant</i> Flat L, 13/F 23 Broadway Mei Foo Sun Chuen Lai Chi Kok Hong Kong
<b>Audit Committee</b>	Ms. Li On Lei (李安梨) ( <i>Chairman</i> ) Mr. Law Kam Chuen (羅錦全) Ms. Shum Wing Ting (沈詠婷)

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## CORPORATE INFORMATION

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<b>Remuneration Committee</b>	Mr. Law Kam Chuen (羅錦全) ( <i>Chairman</i> ) Mr. Law Fu Keung (羅富強) Ms. Cheng Fung Yi (鄭鳳儀) Ms. Li On Lei (李安梨) Ms. Shum Wing Ting (沈詠婷)
<b>Nomination Committee</b>	Mr. Law Fu Keung (羅富強) ( <i>Chairman</i> ) Ms. Cheng Fung Yi (鄭鳳儀) Ms. Li On Lei (李安梨) Mr. Law Kam Chuen (羅錦全) Ms. Shum Wing Ting (沈詠婷)
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## INDUSTRY OVERVIEW

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*The information that appears in this section has been prepared by Ipsos and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Ipsos and set out in this section has not been independently verified by our Group, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters or any other party involved in the Share Offer and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.*

### SOURCE OF INFORMATION

We have commissioned Ipsos, an independent professional market research company, to assess the industry development trends, market demand and competitive landscape of the construction industry (including civil engineering works, site formation, foundation, RMAA and general building works) in Hong Kong for the period from 2012 to 2022, at a fee of HK\$562,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company and consulting company which conducts research on market profiles, market size, share and segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with Share Offer in Hong Kong. Founded in Paris, France in 1975 and publicly-listed on the NYSE Euronext Paris since 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs over 16,664 personnel worldwide across 89 countries.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering through: (i) desktop research including Government statistics, journals and financial reports; and (ii) primary research, including face-to-face and phone interviews with key stakeholders and industry experts in Hong Kong, such as the Government officials, developers, main contractors, subcontractors, architects, quantity surveyors, industry experts and associations in the construction industry in Hong Kong. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, information gathered can be cross-referenced to ensure accuracy. Nevertheless, we cannot assure you regarding the accuracy or completeness of the factors, forecasts and statistics in this prospectus obtained from sources such as Government publications, market data providers and the Ipsos Report.

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the Ipsos Report. Our Directors confirm that, after taking reasonable care, there has been no adverse change in the market information since the date of Ipsos Report up to the Latest Practicable Date which may qualify, contradict or have a material impact on the information in this section.

### ASSUMPTIONS USED IN THE IPSOS REPORT

The following assumptions were adopted in the preparation of the Ipsos Report:

- It is assumed that the global economy remains in steady growth across the period from 2018 to 2022; and
- 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 civil engineering (with roads and drainage), site formation and foundation, RMAA and general building works in Hong Kong from 2018 to 2022.

### MACROECONOMIC ENVIRONMENT IN HONG KONG

#### GDP and GDP growth rate in Hong Kong

GDP grew at a CAGR of 5.5% during the 2012-2017 period, from HK\$2,037.1 billion to HK\$2,662.6 billion. Construction has long been contributing to the economy of Hong Kong, with increasing share of GDP. The share of construction industry in Hong Kong's GDP grew from 3.6% in



## INDUSTRY OVERVIEW

2012 to 5.2% in 2016. From 2018 to 2022, the GDP is expected to increase from HK\$2,835.6 billion to HK\$3,403.3 billion, representing an expected CAGR of 4.7%, after taking into account the expected growth in export value due to the global economic recovery.

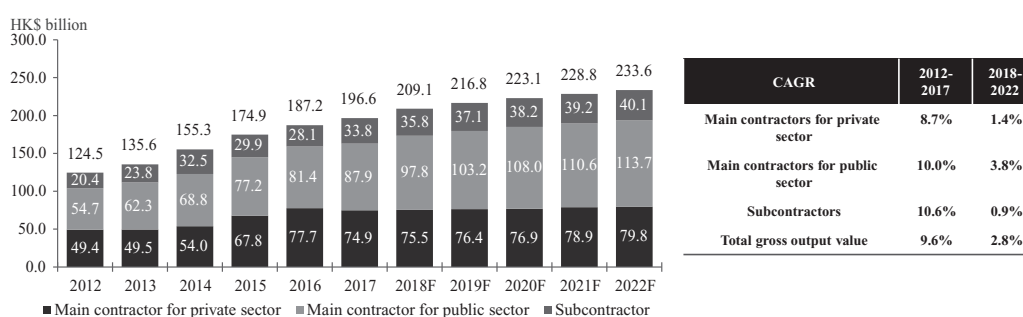
### Gross fixed capital formation value in Hong Kong

The gross fixed capital formation value in Hong Kong experienced a gentle increase from HK\$517.4 billion in 2012 to HK\$581.0 billion in 2017, at a CAGR of approximately 7.3%. The gross fixed capital formation value in public sector and private sector recorded growth at a CAGR of 7.6% and 1.1% respectively between 2012 and 2017, while the building and construction proportion of the gross fixed capital formation value in public sector and private sector recorded growth at a CAGR of 7.7% and 8.6%, respectively between 2012 and 2017.

### MARKET OVERVIEW OF CONSTRUCTION INDUSTRY IN HONG KONG

#### Gross output value of construction works in Hong Kong

##### Gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong, 2012 to 2022



Source: Ipsos Report

The total gross output value of overall construction works performed at construction sites in Hong Kong surged from approximately HK\$124.5 billion in 2012 to approximately HK\$196.6 billion in 2017, representing a CAGR of approximately 9.6%. The increase was mainly due to the increasing public expenditure on infrastructure attributable to the Government's plans concerning the Ten Major Infrastructure Projects and programmes to increase the supply of both private and public housing, as well as the growth in the number of private office space and private commercial space completed. Gross output value of construction works performed by main contractors recorded a stronger CAGR in public sector than private sector.

#### Residential housing and commercial development in Hong Kong

For residential housing, the total number of private residential units completed in Hong Kong experienced an overall increase from 10,149 units in 2012 to 17,791 units in 2017, representing a CAGR of 11.9%. For public housing, the number of public housing units increased from 13,114 units in 2012/2013 to 13,661 units in 2017/2018, representing a CAGR of 0.8%. Construction projects for housing is expected to increase stably, as Transport and Housing Bureau of Hong Kong has announced the "Long Term Housing Strategy" in 2014 for the purpose of setting a clear target to provide more public rental housing and stabilise housing market through steady land supply. According to the Long Term Housing Strategy Annual Progress Report 2017, there will be a total of approximately 460,000 units of housing supply from 2017/2018 to 2026/2027. For commercial development, the total floor area of newly completed private commercial spaces in Hong Kong increased from 90,100m<sup>2</sup> in 2012 to 105,100m<sup>2</sup> in 2017, at a CAGR of 3.1%. The total floor area of newly completed private office spaces in Hong Kong experienced general increase from 135,700m<sup>2</sup> in 2012 to 198,100m<sup>2</sup> in 2017, at a CAGR of 7.9%. The Government announced its initiative to convert Government, Institution, or Community (GIC) sites for commercial and industrial uses. Additionally, according to the 2017 Policy Address, the Government will continue to increase the land used for commercial and economic activity through measures such as converting suitable GIC sites in core business districts into commercial use and the development of Kowloon East as an alternative core business district, which will support the construction industry in Hong Kong.

## INDUSTRY OVERVIEW

### Concentration of customers in the construction industry

The overall construction industry is characterised by its large numbers of main contractors and subcontractors. In the construction industry, the majority are small to medium sized companies, which may possess limited resources, both in specialised machinery, construction materials and skilled manpower. Building construction works projects are generally large scale and labour-intensive. It is common for small to medium sized main contractors or subcontractors to focus on a few projects concurrently, due to limited specialised resources, which restrict the scale and complexity of projects they can undertake. As a result, many players focus on a few projects and have a limited customer base, which consequently leads to the industry norm of high customer concentration. It is not uncommon that the top five customers or even one main customer to generate a substantial amount of revenue to a contractor.

### Supply in the construction industry

The customers of main contractors are land owners, property developers or Government departments, as they can all initiate construction projects. While undertaking large-scale projects, main contractors typically outsource some parts of the construction work to subcontractors according to their expertise, machinery and specialist knowledge. It is also a common industry practice for subcontractors to further subcontract part of their works to other subcontractors. It is also not uncommon for a subcontractor to sublet some works in one project to other sub-subcontractor in another project. Accordingly, a contractor may be another contractor's customer and subcontractor at the same time.

### OVERVIEW OF THE CIVIL ENGINEERING INDUSTRY IN HONG KONG

Civil engineering works include various types of works that cover the design, construction and maintenance of infrastructure, including roads, bridges, dams and power plants. Civil engineering works in Hong Kong can be classified into four main segments: (i) ports works, (ii) roads and drainage, (iii) site formation, and (iv) waterworks. This section focuses on roads and drainage and site formation works.

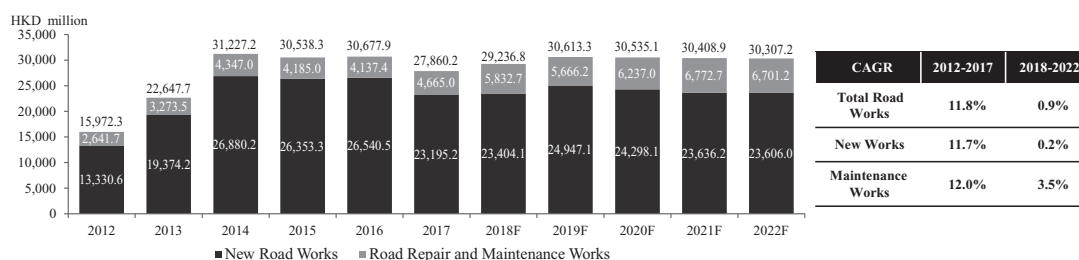
#### Roads and drainage works

##### Roads works

Roads works can be classified into two categories, namely (i) construction of new roads, including expressways, trunk roads, primary distributor roads, district distributor roads and local distributor roads and (ii) maintenance of existing roads. Road maintenance and repair are the responsibilities of the Highways Department. Common road maintenance and repair works include corrective repair, minor improvement, preventive maintenance and rehabilitation maintenance.

The chart below shows the gross output value of roads works in public sector of Hong Kong between 2012 and 2017 and the forecast from 2018 and 2022, segmented by new works and repair and maintenance works:

**Gross Output Value of Roads Works from 2012 to 2022**



Source: Ipsos Report

The new roads works experienced a sharp increase of 101.6% from approximately HK\$13,330.6 million in 2012 to approximately HK\$26,880.2 million in 2014 as there was an increase in number of large scale road projects commenced from 2010 to 2014, including Central-Wan Chai Bypass and Tuen Mun-Chek Lap Kok. The gross output value was then renormalised from approximately HK\$26,880.2 million in 2014 to HK\$23,195.2 million in 2017. Having taken into account the high usage rate of traffic roads in Hong Kong and the consistent growth in vehicle registration, it is expected that there would be continuous government spending on road maintenance and repair works to maintain service conditions.

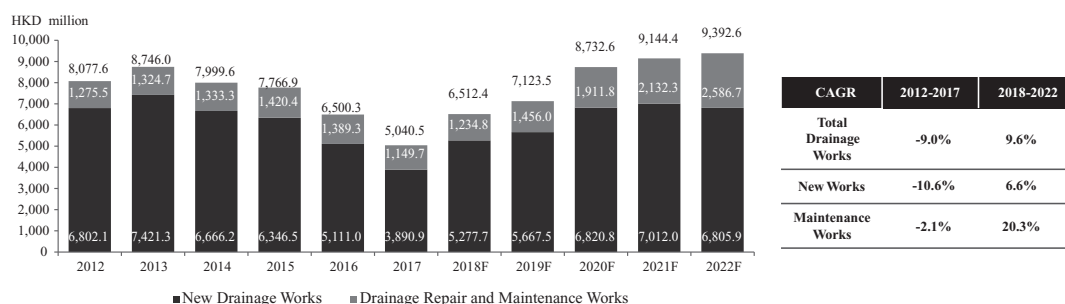
## INDUSTRY OVERVIEW

### Drainage works

Drainage works can be classified into two types, namely (i) the construction of new sewage treatment facilities and storm water drainage facilities, and (ii) maintenance and improvement of existing facilities.

The chart below shows the gross output value of drainage works in public sector of Hong Kong between 2012 and 2017 and the forecast from 2018 and 2022, segmented by new works and repair and maintenance works:

**Gross Output Value of Drainage Works from 2012 to 2022**



Source: Ipsos Report

In recent years, the Drainage Services Department has put increasing efforts in maintaining the service conditions of the drainage systems, and the gross output value contribution of repair and maintenance works to total drainage works increased from 15.8% in 2012 to 22.8% in 2017. The gross output value of new drainage works decreased as drainage facilities are designed with a long service life of several decades of new drainages projects requires long process time for decades. The gross output value for drainage maintenance works is expected to rise with the Drainage Services Department's continuing efforts in maintaining the serviceability of the drainage systems. The gross output value of new drainage works is expected to bounce back, after taking into account a number of large-scale drainage construction works scheduled to be commenced from 2018 to 2022, such as the enhancement works for Kwun Tong Sewage Pumping Station, the upgrading of Kwun Tong Preliminary Treatment Works and the New Town Development projects. Furthermore, the Government is planning to relocate sewage plants into caverns, such as Sha Tin Sewage Treatment Works, and therefore, it is expected that more sewage infrastructure projects will be rolled out in the coming years.

### Market drivers of roads and drainage works in Hong Kong

#### *Government's initiative to increase road infrastructure projects to meeting future traffic demand*

The Government has undertaken efforts to upgrade and expand the road networks. According to the 2017 Policy Address, the Government would seek funding approval for the Central Kowloon Route, the Cross Bay Link in Tseung Kwan O and the widening of Tai Po Road. Besides that, a few major ongoing road infrastructure projects include the Central-Wanchai Bypass, the Island Eastern Corridor Link and the Tseung Kwan O-Lam Tin Tunnel are expected to be completed by the end of 2018 or early 2019, and 2021, respectively. Also, in light of deepening the geographic linkages between mainland China and Hong Kong, the Government has put forth several major infrastructure projects, such as the Liantang/Heung Yuen Wai Boundary Control Point and Associated Works which anticipated to be completed in mid-2018, the Hong Kong-Zhuhai-Macao Bridge associated works, and the Tuen Mun-Chek Lap Kok Link Projects. It is expected that these infrastructure projects will contribute to the future growth in the roads work segment continuously.

#### *Government's continuous flooding preventive measures*

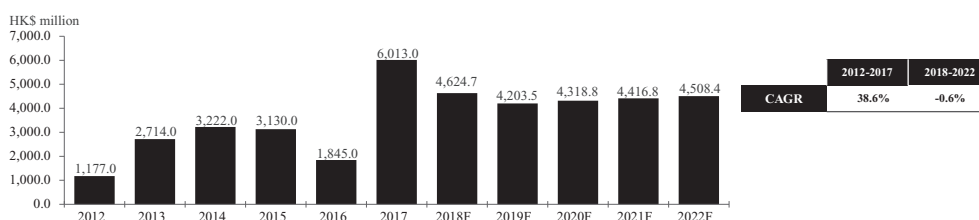
Hong Kong is exposed to the risk of flooding during heavy rain period from May to June, in particular at low-lying areas such as the northern part of the New Territories. As most storm water drains had an average age of around 29 years and were facing ageing problems, Drainage Services Department has devoted efforts in upgrading and improving the Hong Kong's drainage systems. For instance, the Review of Drainage Master Plan in Tai Po is currently being undertaken. Also, there are several flood prevention schemes under planning and design, such as the Drainage Improvement in Northern New Territories. Therefore, the continuing effort of the Government in flood prevention measures will help sustain the growth of the drainage work sector.

## INDUSTRY OVERVIEW

### Site formation works

Site formation works are carried out to form the land required for construction, and common site formation works include (i) construction of retaining structures to support the earth and/or adjacent structures; and (ii) stabilisation of slopes and related landslip preventive and remedial works and the levelling of land to the required levels, orientation and/or shape. The chart below shows the gross output value of site formation works in Hong Kong between 2012 and 2017 and the forecast from 2018 to 2022:

**Gross Output Value of Site Formation Works (Main Contractor)  
in Hong Kong from 2012 to 2022**



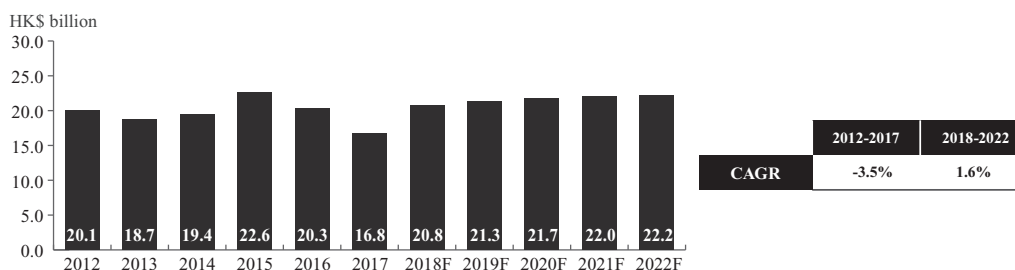
Source: Ipsos Report

Major reasons for the growth of the gross output value of site formation works include the rising number of construction projects as well as the increase in the project contract value in recent years. Such growth of construction projects in turn stimulated the demand for site formation works, as it is common to encounter the works locating in uneven places and slopes for the construction projects in Hong Kong. However, the negative impact of pan-democrats filibustering has emerged since 2015, causing delays in the Government's budget allocation and construction kick-off. In 2017, the site formation gross output value increased to HK\$6,013.0 million due to the push of projects from filibustering in the past years. In 2018, gross output value of site formation works will normalise to HK\$4,624.7 million and to grow in a stable growth from 2019 to 2022 due to projects like the Third Runway and The Greater Bay Area.

### Foundation works

Foundation works generally include piling construction, ELS works and pile cap construction. The chart below shows the gross output value of foundation works in Hong Kong between 2012 and 2017 and the forecast from 2018 to 2022:

**Gross Output Value of Foundation Industry in Hong Kong from 2012 to 2022**



Source: Ipsos Report

The gross output value of foundation works has been well supported by the Ten Major Infrastructure Projects which are currently ongoing and will continue over the next few years. With the dynamic housing market surged with growing investment in addition to increasing population, the Government had continued to put effort on increasing housing supply, which may result in a stable increase in demand of foundation works, the foundation industry is therefore expected to maintain an increase at an approximate CAGR of 1.6% from 2018 to 2022.

### Cost of civil engineering works

Labour costs and costs of materials, including steel reinforcement, cement and bitumen, are the major cost components for civil engineering works in Hong Kong.

## INDUSTRY OVERVIEW

### *Average daily wage of construction workers engaged in public sector construction projects in Hong Kong*

The average daily wage of workers engaged in public sector construction projects in Hong Kong has risen from approximately HK\$928.9 per day in 2012 to HK\$1,374.5 per day in 2017, at a CAGR of about 8.2%, due to the accelerating daily wage of workers was a result of labour shortage in the overall construction industry in Hong Kong. Amid the declining labour size, the construction industry has raised the wage level on a yearly basis from 2012 to 2017 in order to attract skilled labour. Such rising trend is expected to persist as the issue of aging labour and labour shortage sustains.

### *Price trend of key materials used in civil engineering works projects in Hong Kong*

The following table sets out the historical price trend of steel reinforcements, cement and bitumen in Hong Kong:

Material	2012	2013	2014	2015	2016	2017	CAGR
Steel reinforcements (HK\$ per tonne)	5,921.6	5,282.2	4,775.2	3,723.6	3,672.6	4,595.5	-4.9%
Cement (HK\$ per tonne)	690.3	698.5	720.4	739.2	714.7	699.9	0.3%
Bitumen (HK\$ per tonne)	8,937.2	8,741.1	8,418.8	7,843.1	5,645.8	6,080.5	-7.4%

Source: Ipsos Report

The decrease in the average wholesale price for steel reinforcements was attributed to the decrease in downstream industries' demand for steel production during this period due to difficulty in financing caused by the deteriorating European economy and China's monetary tightening policies, and the global drop in demand for new construction work, paired with oversupply of steel.

Cement is one of the major ingredients of concrete. Concrete is commonly used for roads surfacing, buildings and bridges. The average wholesale price of cement in Hong Kong has been slowly increasing at a relatively stable rate between 2011 and 2015, and dropped from 2015 to 2017. Such decrease was attributable to the falling prices offered by the cement companies in mainland China due to high inventory ratio combined with the decreased demand of cement on infrastructure and real estate construction.

Bitumen is used mostly for road construction. The price of bitumen fluctuates along with crude oil prices as bitumen is manufactured from distilling crude oil during petroleum refining. Crude oil price decreased between 2012 and 2016, which led to lower wholesale price of bitumen. The weaker global demand and oversupply of bitumen from China also contributed to the decreasing prices of bitumen. In 2017, crude oil price increased due to the slight crude oil price recover.

It is not an uncommon industry practice for construction companies, either main contractors or subcontractors, to receive advanced payment from customers before the construction work is performed to assist the contractors with their cash flow to pay wages and startup costs.

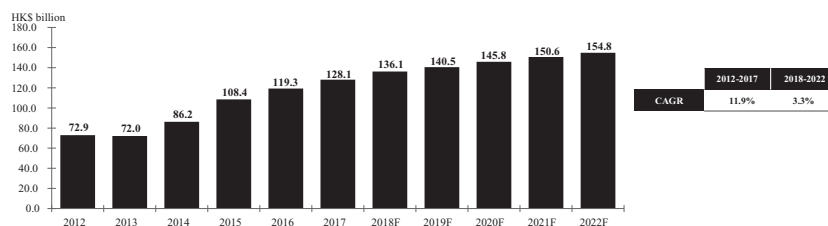
## OVERVIEW OF THE GENERAL BUILDING WORKS INDUSTRY IN HONG KONG

General building works generally refer to the construction works performed by main contractors and subcontractors at construction sites, which include residential, commercial, industrial and storage and service and general superstructure erection.

### Revenue of the general building works industry in Hong Kong

The chart below shows the revenue of the building construction works industry in Hong Kong between 2012 and 2017 and the forecast from 2018 to 2022:

#### Gross output value of the general building construction works industry



Source: Ipsos Report

## INDUSTRY OVERVIEW

The revenue of the building construction works industry in Hong Kong increased from HK\$72.9 billion in 2012 to HK\$128.1 billion in 2017, at a CAGR of approximately 11.9%. The overall increase in the revenue was led by the Government initiative to increase public housing supply. During the period between 2012/2013 and 2017/2018, the number of public housing units produced by the Housing Authority increased with a CAGR of 0.8%. The construction of Government buildings and other services buildings, such as the Trade and Industry Tower and the Children’s Hospital in Kai Tak Development Area, also contributed to the increased gross revenue. For private sector, the increased construction of residential, commercial and office buildings led to the increased revenue. According to the Rating and Valuation Department, from 2012 to 2017, the total number of newly completed private residential units increased with a CAGR of 11.9%. Moreover, the floor area of newly completed commercial and office space increased with a CAGR of 3.1% and 7.9%, respectively.

The revenue is expected to increase from HK\$136.1 billion in 2018 to HK\$154.8 billion in 2022, at a CAGR of approximately 3.3%. The expected increase in the revenue is supported by the Government, initiative to increase public housing supply, development programme of Kwun Tong North, Fanling North and other area development to increase the supply of both residential and commercial buildings.

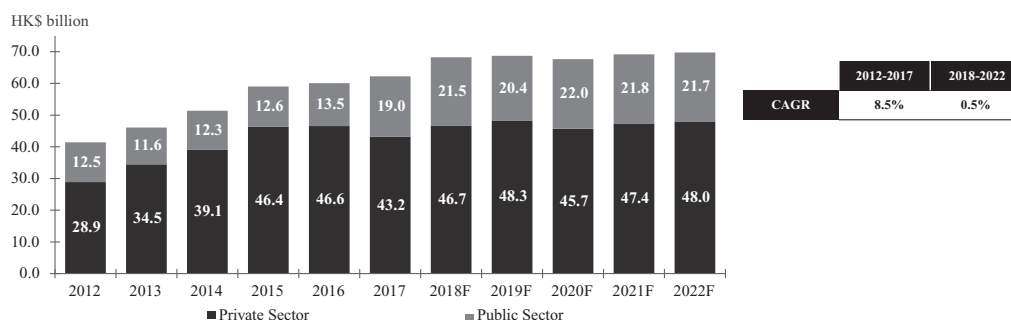
### OVERVIEW OF THE RMAA WORKS INDUSTRY IN HONG KONG

RMAA works include repair and maintenance works (RM) as well as alterations and additions works for the existing buildings in Hong Kong. The demand for RMAA works comes from both public and private sectors. RMAA works for Government buildings and public facilities are generally included in the public sector. Furthermore, repair and restoration of historical buildings are also included in the public sector. For the private sector, RMAA works are generally completed on residential, commercial and office buildings.

#### Revenue of the RMAA works industry in Hong Kong

The chart below shows the revenue of the RMAA works industry in Hong Kong between 2012 and 2017 and the forecast from 2018 to 2022:

**Gross value output of RMAA works in Hong Kong from 2012 to 2022F**



Source: Ipsos Report

Due to the growing safety concern over ageing residential buildings, the Government has taken initiatives to implement policies and regulations as well as urban renewal plans. For instance, Operation Building Bright introduced by the Urban Renewal Authority serves to support building owners in improving building safety by providing technical assistance and subsidising property owners to carry out building repair and maintenance works. Additionally, the scheme of revitalisation of industrial buildings was announced by the Government in 2009. The aims of the scheme are to provide more floor space for suitable uses by changing land uses and converting existing under-utilised industrial buildings to commercial buildings or public facilities. Such initiatives have provided growth momentum to the RMAA works industry from 2012 to 2017. According to the 2016 Policy Address, the Government planned to invest a total of HK\$200 billion in support of the Hospital Authority for the implementation of the 10-Year Hospital Development Plan, which included the redevelopment and expansion of the existing 11 hospitals, accounting for about 1.3 million square-meters floor space of re-development. This initiative along with the 20-Year Urban Renewal Programme launched in 2011 which aims to re-develop ageing buildings are likely to continuously drive the growth of the RMAA industry in Hong Kong.



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## INDUSTRY OVERVIEW

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### COMPETITIVE LANDSCAPE OF THE CIVIL ENGINEERING WORKS INDUSTRY IN HONG KONG

#### Industry structure and positioning of our Group in Hong Kong

According to the Ipsos Report, as of July 2018, there were about 37 companies on the Approved Contractors List at the Development Bureau for ports works, 150 companies for roads and drainage works, 82 companies for site formation works and 71 companies for waterworks. Also, as of July 2018, there were over 1,319 structural and civil engineering subcontractors on General Civil Works being registered under the Construction Industry Council, where each of them in general has a few specific areas of focus, such as earthwork, roadworks, road drainage and sewer, geotechnical works, marine works and ground investigation.

The civil engineering works industry in Hong Kong is relatively concentrated. In 2016, the top five players, each with revenue ranged from approximately HK\$4,382.0 million to HK\$6,000.4 million, accounted for approximately 45.8% of the total industry revenue in aggregate. Their business coverage in the civil engineering works industry include tunnel works, harbour area treatment, roads and bridges and airport works.

Our Group recorded revenue of approximately HK\$359.4 million in 2016, which accounted for approximately 0.7% of the total revenue generated from civil engineering works in Hong Kong, according to the Ipsos Report.

#### Factors of competition

*The Subcontractor Registration Scheme increases the recognition of subcontractors and the visibility of the industry*

Civil engineering subcontractors registered under the Subcontractor Registration Scheme (SRS) launched by the Construction Industry Council will enjoy enhanced recognition and visibility in the civil engineering construction industry in Hong Kong. Subcontractors may apply for registration in one or more of 52 trades covering common structural engineering, civil engineering, finishing, E&M works and supporting services. By July 2018, there were over 1,318 structural and civil engineering subcontractors on General Civil Works being registered under the Construction Industry Council. Main contractors may consider qualifications as an important factor when choosing subcontractors. Subcontractors who possesses sufficient project experience and high quality construction works with proven track records have a higher chance to win project tenders.

*Technical expertise required for tendering projects of higher value*

Civil engineering contractors need to possess related expertise to carry out different types of civil engineering works. It is also an important factor to meet project timeline, quality and budget. With a good technical understanding of civil engineering works by an experienced project management team, the contractor is able to address different issues that may arise during project execution, and foresee potential problems during the project. Thus, civil engineering contractors with specialised expertise appeared to have a higher chance to get the tender and be involved in high value projects.

*Customers evaluate the performances of contractors based on quality of works*

Quality of works is one of the most important factors of competition in civil engineering construction industry in Hong Kong. Lower quality civil engineering works may cause some serious problem, including bursting pipes, difficulties in foundation works, especially for shallow foundations. In general, customers assess civil engineering contractors in different aspects, which include the timeliness of project delivery, the quality of works and the capability of meeting safety and environmental requirements. In addition, civil engineering contractors who maintain a good safety record are also more competitive.

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*Relationship with main contractors increases the likelihood of awarding tenders*

In the civil engineering industry, main contractors generally have their own list of subcontractors for tender invitation. Therefore, building good and sustainable relationships with main contractors is an advantage to civil engineering subcontractors.

### **Entry barriers for the civil engineering works industry in Hong Kong**

The civil engineering works industry in Hong Kong has moderately high entry barriers, including:

*New industry entrants lack the industry knowledge and experience in the civil engineering industry which are highly technical*

Knowledge of civil engineering, structural, geology and technical expertise is one of the entry barriers for the civil engineering industry as contractors are responsible for the execution and problem solving at the construction site. As these industry knowledge and technical expertise can only be accumulated through years of education, on-site practical training as well as trial and error, potential players that lack industry knowledge and technical expertise would encounter difficulties when entering the industry.

*High capital requirement to initiate a construction project will be an entry barrier to new entrants*

The civil engineering industry is capital intensive as it usually involves highly specialised machinery during operation. Therefore sufficient capital is required for machinery investment when entering the industry. For construction and maintenance of roads, in particular, major machineries like truck crane, wheel loader, motor grader are all capital intensive and insufficiency in capital may be a hindrance for new entrants. In addition, contractors have to bear the initial capital for carrying out early construction works before receiving sufficient payment from customers.

*An established relationship with major developers may be a hindrance for new players to the industry*

In the private construction industry, construction contractors which have established relationship with major developers stand a higher chance of winning contracts. Private developers generally have their own list of construction contractors to choose from for tender invitation. Therefore, building good and sustainable relationships with developers is crucial for construction contractors. By developing business relationships with developers, construction contractors may benefit from the stable work relationship with major customers. Such solid relationship could become an entry barrier for new entrants entering the construction industry.

### **Market drivers of the civil engineering works industry in Hong Kong**

*Increasing infrastructure spending boosting the growth of the civil engineering industry*

According to the Financial Secretary of Hong Kong', spending of the Capital Works Reserve Fund is expected to increase from HK\$107.2 billion for the year 2017/2018 to HK\$130.8 billion in 2021/2022 to support a series of infrastructure projects, including the Kai Tak Sports Park Project, 10-year Hospital Development Plan, railway projects and new town development projects which will involve different civil engineering works such as site formation, roads and drainage, and electrical and mechanical works.

*Continued roads and drainage works for a well maintained city for Hong Kong's residents and visitors*

Roads and drainage systems are fundamental to Hong Kong's long-term competitiveness and citizen's quality of life, therefore, there will be a constant demand of roads and drainage infrastructure projects. For roads works, examples include the Central Kowloon Route and Hiram's Highway Improvement Stage 1 and; for drainage works, examples include Enhancement Works for Kwun Tong Sewage Pumping Station, Construction of Additional Sewage Rising Main and Rehabilitation of the Existing Sewage Rising Main between Tung Chung and Siu Ho Wan as well as Upgrading of Kwun Tong Preliminary Treatment Works.

*Continued government efforts to increase the civil engineering workers' productivity by investing in training*

Moreover, in the 2015-16 Budget Speech, the Government has planned to organise training courses and implement a subsidy scheme with a HK\$100 million budget to encourage young people to join the construction industry with the aim of providing more skilled labour to the construction industry. In addition, according to 2016-17 Budget Speech, the Government has allocated a total of



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HK\$420 million over the past six years to support the Construction Industry Council in enhancing its training and promotion efforts to attract more new entrants to the industry. As at 2015, 18,000 semi-skilled workers have completed their training. The Government will continue to improve the working environment, and increase the manpower for the construction industry. In addition, the Government has also reiterated its commitment to infrastructure, which will also help to create enough job opportunities for these trained construction workers.

### **Threats to the civil engineering works industry in Hong Kong**

*Increasing construction costs will hinder the profitability of the civil engineering in Hong Kong.*

Civil engineering contractors face the problem of increasing construction costs due to the inflation of raw materials and labour costs. The average wage of construction workers in Hong Kong increased by 48.0% between 2012 and 2017, reaching HK\$1,374.5 per day in 2017, while the average wholesale price of cement increased at a CAGR of about 0.3% between 2012 to 2017, from an average of HK\$690.3 per tonne to an average of HK\$699.9 per tonne.

*Insufficient experienced and skilled labour may weaken the development of civil engineering industry in Hong Kong.*

According to the “Report on manpower research for the construction industry in Hong Kong” published in 2017, it was estimated that about 5,000 to 10,000 additional construction workers, would be needed between 2018 to 2022. A large number of civil engineering workers will be in a great demand due to the strong growth of civil engineering industry in Hong Kong. The problem of insufficient experienced and skilled labour may weaken the development of Hong Kong’s civil engineering industry.

### **Our competitive strengths**

Please refer to the section headed “Business – Our competitive strengths” for detailed discussion.

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## REGULATORY OVERVIEW

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This section sets forth a summary of the major laws and regulations applicable to our business in Hong Kong. Our Directors confirm that our Group has, in the course of its business, complied with all applicable laws and regulations in Hong Kong in all material respects.

### A. LAWS AND REGULATION RELATING TO SAFETY, HEALTH AND LABOUR

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

The FIUO provides for the safety and health protection to workers in an industrial undertaking. Under the FIUO, every proprietor shall, as far as is reasonably practicable, take care of the safety and health at work of all persons employed by him at the industrial undertaking by:

- providing and maintaining plant and work systems that are safe and without risks or danger to 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, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a work environment that is safe and without risks or danger to health.

A proprietor who contravenes any of these duties may be liable to a fine of HK\$500,000; if found to have contravened willfully and without reasonable excuse, to a fine of HK\$500,000 and to imprisonment for 6 months.

Further, our project team member responsible for the on-site supervision and inspection works of our projects is required to carry a valid Green Card or an equivalent document in accordance with the FIUO while carrying out such site work. According to section 6BA(5) of the FIUO, every proprietor on and after the appointed day (as defined in the FIUO) shall not employ at the undertaking a relevant person who has not been issued a relevant Green Card and that it had not expired. Contravention is liable on conviction to a fine of HK\$50,000 (level 5).

Matters regulated under the subsidiary regulations of the FIUO, 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 construction, 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)

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## REGULATORY OVERVIEW

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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 could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulations (Chapter 59AF of the Laws of Hong Kong) (the “**Safety Management Regulation**”), any contractor in carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day working in a single or two or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit at least once in every six months.

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

As our operations involve industrial workplaces such as construction sites and our workers may be exposed to injuries whilst carrying out construction work, our Group is subject to the OSHO. The OSHO 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 of their employees at work by attending to the following:

- providing and maintaining plant and work systems that are safe and without risks or danger to health;
- making arrangement for ensuring safety and absence of risks or danger to health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- maintaining the workspace in a condition that is safe and without risks or danger to health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a working environment that is safe and without risks or danger to health.

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

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## REGULATORY OVERVIEW

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The Commissioner for Labour may also issue improvement notices against non-compliance of the OSHO or the FIUO, or suspension notice against activity of workplace which may create imminent hazard to the employees. Non-compliance with such notices is an offence liable on conviction to a fine of HK\$200,000 and HK\$500,000, respectively and to imprisonment for up to 12 months.

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

The ECO 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 ECO, if an employee sustains an injury or dies caused by accidents arising out of and in the course of his employment, his employer may generally be liable to pay compensation regardless of whether the employee was at faults or negligence when the accident occurred. The same also applies to an employee suffers incapacity or dies caused by occupational diseases arising out of and in the course of employment.

According to section 40 of the ECO, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities for injuries at work in respect of all their full-time and part-time employees, from accidents arising out of and in the course of employment. Where a principal contractor has undertaken to perform any construction works, 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 ECO and at common law. Failure to comply is liable on conviction to a fine of HK\$100,000 (Level 6) and to imprisonment for 2 years.

Pursuant to section 24 of the ECO, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the execution of the work which the subcontractor has contracted to perform but the principal contractor is entitled to be indemnified for such compensation by any person who would have been liable to pay compensation to the injured employee nonetheless.

According to section 15 of the ECO, an employer must notify the Commissioner for Labour of any work accident via a Form 2 (within 14 days for general work accidents and within 7 days for fatal accidents), regardless of whether the accident gives rise to any liability for the employer to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such respective periods then such notice must be submitted not later than 7 days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

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

The OLO regulates the obligations of a person occupying or having control of premises on which injury resulting to persons or damage has been caused to goods or other property lawfully on the land. It imposes a common duty of care on an occupier of the 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.

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

A principal contractor is subject to the provisions on subcontractor’s employees’ wages in the EO. According to section 43C of the EO, if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the EO, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. A principal contractor’s liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (b) to the wages due to such an employee for 2 months without any deductions (such months shall be the first 2 months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a written notice on the principal contractor within 60 days after the wage due date or another 90 days if permissible. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor. Upon receipt of such notice, a principal contractor shall, within 14 days after its receipt, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractors shall be guilty of an offence and shall be liable on conviction to a fine of HK\$50,000 (Level 5).

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

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## **REGULATORY OVERVIEW**

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

The CWRO was enacted on 2 July 2004 to provide, among others, for registration and regulation of construction workers.

According to sections 3(1) and 5 of the CWRO, the principal contractors/subcontractors/employers/controllers of construction sites are required to employ only registered construction workers to personally carry out construction works contravention of which could be liable on conviction to a maximum fine of HK\$50,000.

Pursuant to section 58(7), a principal contractor/controller of a construction site is required to:

- (a) establish and maintain a daily record in the specified form containing information of the registered construction workers who (i) are employed by the controller or, if the controller is the principal contractor, by the subcontractor of the controller, and (ii) personally carry out construction work on the site; and
- (b) furnish the Registrar of Construction Workers in such manner as he directed with a copy of the record (i) for the period of seven days after any construction work begins on the site; and (ii) for each successive period of seven days, within two business days following the last day of the period concerned, or within the time period which the Registrar may direct.

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

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

According to section 38A of the IO, a construction site controller (i.e. the principal or main contractor, and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to prevent (i) illegal immigrants from being on the construction site or (ii) illegal workers who are not lawfully employable from taking employment on the construction site. Any contravention of (i) or (ii) may be liable on conviction to a fine of HK\$350,000.

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### **Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (“MWO”)**

The MWO 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 (as defined under the Employment Ordinance). Any provision of an employment contract which purports to extinguish or reduce any right, benefit or protection conferred on the employee by the MWO is void.

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

Under the rules and regulations of this ordinance, employers are required to enroll their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in an Mandatory Provident Fund scheme (the “**MPF Scheme**”) within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into an approved MPF Scheme and the amount contributed by both parties are determined by the MPF Scheme Ordinance. For an employee, subject to the maximum and minimum levels of income HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF Scheme with a ceiling of HK\$1,500 on or after 1 June 2014. An employer will also be required to contribute an amount of equivalent to 5% of an employee’s relevant income to the MPF Scheme, subject only to the maximum level of income (HK\$30,000 on or after 1 June 2014). Industry Schemes (“**Industry Schemes**”) were established under the Mandatory Provident Fund system for employers in the construction and catering industries in view of the high labour mobility in these two industries, and the fact that most employees in these industries are “casual employees” whose employment in on a day-to-day basis or for a fixed period of less than 60 days.

For the purpose of the Industry Schemes, eight major categories of the construction industry are covered. However, the MPF Schemes Ordinance does not stipulate that employers in these industries must join the Industry Schemes, despite that they provide convenience to the employers and employees in the construction and catering industries is that casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme.

Our Directors confirm that our Group duly participates in the MPF Scheme for all our eligible employees and the MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority with relevant contributions made in accordance with the aforesaid laws and regulations.

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### B. LAWS AND REGULATION RELATING TO CONSTRUCTION WORKS

#### **Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (“BO”)**

The BO regulates the planning, design and construction of buildings and associated works. It provides that before the commencement of any building works: (i) prior approval and consent from the Building Authority (“BA”) must be obtained; (ii) authorised persons, such as architects, engineers and surveyors registered under the BO, must be appointed to coordinate the works, prepare and submit plans for the approval from the BA; (iii) registered professionals must be appointed to design and supervise the works; and (iv) registered contractors must be appointed to carry out the works.

Under section 14(1) of the BO, no person shall commence or carry out any building works without having obtained prior approval and consent from the BA. Any person who intends to carry out alteration or addition building works in existing premises is required to appoint a registered contractor to carry out the building works. The BA may require that all such building works carried out in such a way that the building will comply with the standards of the BO unless the works (other than draining works, ground investigation in the scheduled areas, site formation works and minor works) are exempt from the requirement for approval and consent from the BA if the said works do not involve the structure of the building pursuant to section 41(3) of the BO.

Under the current contractor registration system, the main contractor undertaking private construction work must register with the Buildings Department as Registered General Building Contractor (“RGBC”) or specialist contractor. RGBC may carry out general building works and street works and may generally carry out temporary works which are associated with the execution of the respective types of general building works and specialist works.

Registered specialist contractors may carry out specialised works (including, demolition works, foundation works, ground investigation field works, site formation works and ventilation works) specified in the category in the sub-register in which they are entered.

According to the BO section 8B(2), an applicant for registration as a Registered General Building Contractor or as registered specialist contractor must satisfy the Buildings Department on the following aspects:

- (a) if it is a corporation, the adequacy of its management structure;
- (b) the appropriate experience and qualifications of its personnel;
- (c) its ability to have access to plant and resources; and
- (d) the ability of the person appointed to act for the applicant for the purposes of the BO to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.



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## REGULATORY OVERVIEW

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

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

Further, the above-mentioned key personnel must possess the minimum academic qualifications and industry experience as required by the BA.

Section 8B(12) of the BO provides that, unless its name is removed from the relevant register by order of a disciplinary board, a contractor’s registration expires on the expiry of 3 years beginning on the date of inclusion of his name in the register. Section 8C(2)(c) of the BO further provides that a registered contractor should apply to the Buildings Department for renewal of registration not earlier than 4 months and not later than 28 days prior to the date of expiry of the registration. Application for renewal of registration received by the Buildings Department outside the specified time limit will not be accepted.

### **Contractor licensing requirements for public sector projects**

The public work projects include those managed by various Government departments and public institutions with Government’s funding such as Hong Kong Housing Society and Hospital Authority. For selective tendering that may be adopted in the public sector, tender invitations are published in the Government Gazette or are sent by letter to all contractors on the relevant lists of approved qualified contractors. The Works Branch of the Development Bureau (“WBDB”) manages the List of Approved Contractors for Public Works, which is divided into five categories, namely, (i) “roads and drainage”, (ii) “port works”, (iii) “waterworks”, (iv) “buildings” and (v) “site formation”. Generally, there are three groups in each of the works categories, i.e. Group A (except no Group A in port works and site formation categories), Group B and

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Group C. Contractor listed on each group is allowed to tender for contracts up to certain monetary value and these tender limits are periodically adjusted and are currently set as follows:

<b>Category</b>	<b>Authorised contract value</b>
Group A (Probationary)	Any number of Group A contracts in the same category, provided the total value of works in the Group A contracts that he already holds and the Group A contract being procured under the same category does not exceed HK\$100 million
Group A (Confirmed)	Contracts of value up to HK\$100 million
Group B (Probationary)	(i) any number of Group A contracts in the same category; and (ii) any number of Group B contracts in the same category, provided the total value of works in the Group B contracts that he already holds and the Group B contract being procured under the same category does not exceed HK\$300 million
Group B (Confirmed)	Contracts of value up to HK\$300 million
Group C (Probationary) <i>(note)</i>	the total number of Group C contracts being procured under the same category does not exceed two and that the total value of works in the Group C contracts that he already holds and the Group C contract being procured under the same category does not exceed HK\$700 million
Group C (Confirmed) <i>(note)</i>	Contracts of any values exceeding HK\$300 million

*Note:* Group C contractors will normally not be allowed to tender for contracts in Groups A and B unless it is considered that there may be an inadequate number of tenderers as a result of the restriction.

Other than in the most exceptional circumstances, a contractor will be admitted initially on probation in the appropriate works. A contractor may apply for “confirmed” status after the satisfactory completion of works appropriate to its probationary status. “Confirmed” contractors may apply to be elevated to a higher group which is subject to similar but more stringent criteria/requirements than that described above. Appendices 2A and 2B of the Contractor Management Handbook – Revision B published by the WBDB provides a summary of the financial and minimum technical and management criteria, respectively for admission, confirmation and promotion of contractors for the list effective from 15 February 2017. The requirements of particular relevance to the current qualification held by our Company are set out in the following paragraphs:

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## REGULATORY OVERVIEW

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### A. *Financial criteria*

<b>Group/Status</b>	<b>Minimum employed capital (HK\$)</b>	<b>Minimum working capital (HK\$)</b>
Group A:		
(a) Probation	HK\$2.2 million plus HK\$1.2 million for every HK\$12 million of annualised outstanding works or part thereof above HK\$22 million, subject to a maximum of HK\$4.6 million	HK\$2.2 million or 15% on annualised outstanding works, whichever is higher
(b) Confirmed	HK\$4.3 million plus HK\$2.2 million for every HK\$22 million of annualised outstanding works or part thereof above HK\$43 million, subject to a maximum of HK\$8.7 million	
Group B:		
(a) Probation	HK\$5.2 million plus HK\$2.9 million for every HK\$43 million of annualised outstanding works or part thereof above HK\$78 million, subject to a maximum of HK\$14.7 million	HK\$5.2 million or 10% on annualised outstanding works, whichever is higher
(b) Confirmed	HK\$10.7 million plus HK\$5.8 million for every HK\$86 million of annualised outstanding works or part thereof above HK\$159 million, subject to a maximum of HK\$30.1 million	HK\$10.7 million or 10% on annualised outstanding works, whichever is higher

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### *B. Technical and management criteria*

<b>Group/Status</b>	<b>Experience</b>	<b>Waterworks</b>
		<b>Management and technical personnel</b>
Confirmation to Group A	Satisfactory completion or execution for two years (whichever is earlier) as the main contractor of one waterworks contract executed in HKSAR within the past 5 years, after inclusion in the Group A on probation, of value over 50% of the Group A limit and covering mainlaying works.	<p>At least one member of the resident top management shall have a minimum of one year local experience in managing a construction firm obtained in the past three years.</p> <p>At least one person with one or more of the following qualifications:</p> <ul style="list-style-type: none"> <li>(i) Higher Certificate in Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent (“<b>Recognised Institution</b>”) and one year local working experience in the relevant category of works; or</li> <li>(ii) Ordinary Certificate in Civil Engineering from a Recognised Institution and two years local working experience in the relevant category of works; or</li> <li>(iii) at least ten years local working experience in the relevant category of works.</li> </ul>
Promotion to Group B	Satisfactory completion as the main contractor of one Government contract in the Waterworks category within the past 5 years, after confirmation in Group A, of value over 75% of the Group A limit.	<p>At least one member of the resident top management shall have a minimum experience of three years, out of which two years shall be local experience, in managing a construction firm obtained in the past five years.</p> <p>At least one person with the following qualifications:</p> <ul style="list-style-type: none"> <li>(i) Higher Certificate in Civil Engineering from a Recognised Institution and two years local working experience in the relevant category of works; or</li> <li>(ii) Ordinary Certificate in Civil Engineering from a Recognised Institution and three years local working experience in the relevant category of works.</li> </ul>

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Group/Status	Roads & drainage	Site formation	Management and technical personnel (Same requirements for both work categories)
Confirmation to Group B	Satisfactory completion or execution for two years (whichever is earlier) as the main contractor of one roads and drainage works contract executed in HKSAR within the past 5 years, after inclusion in the Group B on probation, of value over 70% of the Group B limit.	Satisfactory completion or execution for two years (whichever is earlier) as the main contractor of one site formation works contract executed in HKSAR within the past 5 years, after inclusion in the Group B on probation, of value over 50% of the Group B limit.	Same requirements as for Group B waterworks.
Promotion to Group C	Satisfactory completion as the main contractor of one Government contract in Roads and Drainage category within the past 5 years, after confirmation in Group B, of value over 75% of the Group B limit.	Satisfactory completion as the main contractor of one Government contract in Site Formation category within the past 5 years, after confirmation in Group B, of value over 75% of the Group B limit.	At least one member of the resident top management shall have a minimum experience of five years, out of which three years shall be local experience, in managing a construction firm obtained in the past eight years.  At least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate working experience, out of which three years shall be local experience, in the relevant category of works.

In order to retain the current qualification held, the minimum financial criteria and other requirements on management and technical personnel as set out above must be met. Further, audited accounts of the approved contractors are submitted to WBDB annually or half-yearly basis in the case of Group C. The most updated accounts shall also be produced to relevant Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by WBDB. Approved contractor who fails to meet the capital requirements in a particular category will not be eligible for tendering or awarding any contract in that category. In the event the approved contractor fails to submit the accounts or rectify any shortfall in the required capital requirements within the prescribed period, regulatory actions such as suspension of tendering may be imposed by

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WBDB. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, Ming Shing has respectively met the aforesaid criteria and requirements that are applicable to them.

Although listing approvals granted by WBDB are not required to be renewed annually, the Development Bureau may take regulatory actions against the contractor's failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, poor environmental performance, and court convictions such as contravention of site safety legislation and EO and employment of illegal workers etc. For example, if an approved contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the responsible contractor.

The performance of the approved contractor on a particular project is monitored via a standard Contractor's Performance Report system on a quarterly basis which covers the following sections:

1. Workmanship
2. Progress
3. Site safety
4. Environmental pollution control
5. Organisation
6. General obligations
7. Industry awareness
8. Resources
9. Design
10. Attendance to emergency

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, Ming Shing has fulfilled the aforesaid listing criteria and requirements that are applicable to it and has not received any adverse report on any contractor's performance report on current public sector projects.

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### **Subcontractor Registration Scheme**

Generally speaking, as long as the principal contractor holds all the required registrations necessary for the project, the subcontractors are not required to hold the same registrations as the main contractors in public projects. However, subcontractors are required to register on the Subcontractor Registration Scheme at the Construction Industry Council (“SRS”, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)) to participate in public projects. Pursuant to a WBDB technical circular dated on 14 June 2004 all capital works and maintenance works contracts of the Government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ all subcontractors (whether nominated, specialist or domestic) that are either registered from the respective trades available under the SRS, or will complete their registration before the execution of the relevant subcontracted works. As at the Latest Practicable Date, Ming Shing is registered under the SRS in the trades of foundation and piling, concreting formwork and general civil works. For further information, please refer to the section headed “Business – Licenses, permits and registration – 2. Subcontractor Registration Scheme” in this prospectus.

#### ***Validity period of registration and renewal of registration***

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

Our Directors advised that, as at the Latest Practicable Date, Ming Shing has fulfilled the aforesaid registration requirements that are applicable to them and do not anticipate any issues in maintaining and/or renewing its registration.

#### **Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) (“CICO”)**

According to section 32 of the CICO, construction industry levy (“CIL”) is payable by registered contractors appointed under section 9 of the Buildings Ordinance or any persons who carry out construction operations in Hong Kong to the CIC. “Construction operation” is exhaustively defined under Schedule 1 of the CICO, which includes building works and street works as defined in section 2(1) of the Buildings Ordinance, construction, alteration, repair, maintenance, extension, demolition or dismantling, external or internal cleaning and painting or decorating any external or internal surfaces or parts of any buildings, or other temporary or permanent structures forming part of land.

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After 2012, the CIL chargeable is 0.5% of the total value of the construction operations (as defined under section 53 of the CICO) concerned (0.4% before 2012). Pursuant to section 32 and Schedule 5 of the CICO, no CIL is chargeable for any construction operations not exceeding HK\$1,000,000.

According to section 34 of the CICO, the contractor and authorised person each is required to inform the CIC in a specified form (Form 1) in respect of the construction operations within 14 days after its commencement. Failure to give such notice without reasonable excuse may be liable to a fine at level 1, which is fixed at HK\$2,000. Notice is only required for term contract or if the reasonable estimation of the total value of construction operations exceed HK\$1,000,000.

Pursuant to section 35 of the CICO, a contractor is required to give a Notice of Payment (“**NOP**”) in a specified form (Form 2) to the CIC within 14 days after the contractor receives a payment in respect of the construction operation. Failure to give the NOP without reasonable excuse may be liable to a fine at level 3, which is fixed at HK\$10,000.

Pursuant to section 36 of the CICO, a contractor is required to give a Notice of Completion (“**NOC**”) in a specified form (Form 3) to the CIC within 14 days after the completion of the construction operation. Failure to give the NOC without reasonable excuse may be liable to a fine at level 3, which is fixed at HK\$10,000.

The CIC shall assess the CIL payable upon receiving the NOP or NOC and give a Notice of Assessment (“**NOA**”) in writing specifying the amount of CIL. The CIC can also make the assessment notwithstanding no NOP or NOC has been given. According to section 41 of the CICO, if a contractor fails to give the NOP or NOC, a surcharge not exceeding twice the amount of the CIL payable may be imposed and a Notice of Surcharge (“**NOS**”) in writing shall be given by the CIC.

As at the Latest Practicable Date, our Group has duly paid all relevant levies and has no contravention under the CICO.

### **C. LAWS AND REGULATION RELATING TO ENVIRONMENTAL PROTECTION**

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

The APCO 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 APCO impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the APCO and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation and the Air Pollution Control (Smoke) Regulation. The contractor is responsible for a construction site shall devise, arrange methods of work in such a manner so as to minimise dust impacts on the



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## REGULATORY OVERVIEW

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surrounding environment, and shall provide experienced personnel with appropriate training to ensure that these methods are implemented. Asbestos control provisions in the APCO require that building works involving asbestos must be conducted only by registered asbestos contractors and under the supervision of a registered asbestos consultant.

Any owner of premises who fails to appoint a registered asbestos consultant to carry out an investigation, prepare an asbestos management plan or monitor the implementation of the asbestos management plan could be liable to a fine of HK\$200,000 and to a further fine of HK\$5,000 for each day of continuance of such offence. Any owner of premises who fails to appoint a registered asbestos contractor to implement an asbestos abatement plan or carry out work may also be liable to a fine of HK\$200,000 and to imprisonment for 6 months and to a further fine of HK\$20,000 for each day of continuance of such offence.

Under the Air Pollution Control (Construction Dust) Regulation, we are responsible, as a contractor for a construction site where notifiable work is proposed to be carried out, for giving notice to the EPD before the commencement of the work. Examples of notifiable work include (i) site formation; (ii) reclamation; (iii) demolition of a building; (iv) construction of the foundation of a building; or (v) construction of the superstructure of a building.

Contravention to the notification requirement under the Air Pollution Control (Construction Dust) Regulation may be liable on conviction to a fine of HK\$25,000 for the first offence and to a fine of HK\$50,000 for a second or subsequent offence. Contravention to the dust control requirements under the same regulation may be liable on conviction to a fine of HK\$50,000 for the first offence and to a fine of HK\$100,000 and to imprisonment for 3 months for a second or subsequent offence, and in addition, if the offence is continuing, to a fine of HK\$10,000 for each day during which the offence continues.

### **Air Pollution Control (Non-Road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong) (“The NRMM Regulation”)**

The NRMM Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (“NRMM”), comprising non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors. Unless exempted, non-road mobile machinery which is regulated under this provision is required to comply with emissions standards prescribed under this regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the EPD pursuant to section 4 of the NRMM Regulation. Under section 5 of the NRMM Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. Existing NRMMs which were already in Hong Kong on or before 30 November 2015 may be exempted from complying with the emission requirements pursuant to section 11 of the NRMM Regulation.

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## REGULATORY OVERVIEW

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Any person who sells or leases a regulated machine for use in Hong Kong, or uses a regulated machine in specified activities or locations without (i) exemption or the EPD's approval is liable to a fine of up to HK\$200,000 and imprisonment for up to six months; and (ii) a proper label is liable to a fine of up to HK\$50,000 and imprisonment for up to three months.

Pursuant to the Technical Circular (Works) No. 1/2015 issued by WBDB on 8 February 2015 (“**Technical Circular**”), the WBDB plans to progressively phase out the use of four types of exempted NRMM, namely, generators, air compressors, excavators and crawler cranes in new capital works contracts of public works with an estimated contract sum exceeding HK\$200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 2015 and the number of exempted excavators and crawler cranes not to exceed 50%, 20% and 0% of the total units of exempted NRMMs from 1 June 2015, 1 June 2017 and 1 June 2019 respectively. From 1 June 2019 onwards, certain exempted NRMM may still be permitted at the discretion of the architect or engineer if there is no feasible alternative.

As at the Latest Practicable Date, our Group has obtained approval or exemption for our Regulated Machines in accordance with the relevant requirements.

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

The NCO controls the noise from construction, industrial and commercial activities. A contractor is required to comply with the NCO and its subsidiary regulations in carrying out general construction works. Construction noise permits are required from the EPD in advance for construction activities to be carried out during restricted hours.

Under the NCO, noisy construction works and the use of powered mechanical equipment in populated areas are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless prior approval has been granted by the EPD through the Construction Noise Permit System. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the EPD. Contravention to any of the aforesaid provisions shall be liable to a fine of HK\$100,000 on the first conviction and to a fine of HK\$200,000 on a second or subsequent conviction and in any case to a fine of HK\$20,000 for each day during which the offence has continued.

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

The WPCO regulates the effluent discharged from all types of industrial, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the EPD.

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## REGULATORY OVERVIEW

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All discharges, with the exception as described above, must be covered by an effluent discharge licence. The licence shall be granted with a specification of the permitted physical, chemical and microbial quality of the effluent by the EPD unless, for instance, the discharge endangers or is likely to endanger public health or is likely to be harmful to the health or safety of any person engaged in the operation or maintenance of a drainage or sewerage system.

According to the WPCO, unless being licensed under the WPCO, a person who discharges any waste or polluting matter into the waters or discharges any matter into a communal sewer or communal drain in a water control zone shall be liable on conviction to imprisonment for 6 months and shall be liable to a fine of HK\$200,000 on the first conviction and to a fine of HK\$400,000 on a second or subsequent conviction and in any case to a fine of HK\$10,000 for each day of the continuance of the offence.

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

The WDO controls the production, storage, collection, treatment, recycling and disposal of wastes. A contractor shall observe and comply with the WDO and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation and the Waste Disposal (Chemical Waste) (General) Regulation.

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, for a main contractor who undertakes construction work with a value of HK\$1,000,000 or above, it is its obligation to establish a billing account with the EPD and pay the described charges in respect of the construction waste generated from construction works undertaken under that contract, within 21 days after the contract is awarded.

Under the Waste Disposal (Chemical Waste) (General) Regulation, any waste producer who produces or causes chemical waste to be produced is required to register as a chemical waste producer. Chemical waste must be properly packaged, labelled and stored before disposal. Only a licensed 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 staff of the EPD. Any person authorised to be the applicant on our behalf who fails to register as a chemical waste producer shall be liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

Under the WDO, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required shall be liable to a fine of HK\$200,000 and to imprisonment for 6 months on the first conviction and to a fine of HK\$500,000 and to imprisonment for 2 years on a second or subsequent conviction.

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## REGULATORY OVERVIEW

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

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the PHMSO. Maximum penalty is HK\$10,000 (level 3) upon conviction with a daily fine of HK\$200. Discharge of muddy water from a construction site is actionable under the PHMSO, with a maximum penalty of HK\$50,000 (level 5) upon conviction.

Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the PHMSO, with a maximum penalty of 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 PHMSO, with a maximum penalty of HK\$10,000 (level 3) upon conviction and a daily fine of HK\$200; and any premises in such a state as to be a nuisance or injurious to health is actionable under the PHMSO, with a maximum penalty of HK\$10,000 (level 3) upon conviction and a daily fine of HK\$200.

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

According to section 35 of the PMCO, pneumoconiosis compensation fund levy (“**PCFL**”) is imposed in respect of construction operations carried out in Hong Kong. PCFL is rated at 0.15% of the value of the construction operations (0.25% before 2012) and not chargeable if the total value (as defined under section 39D of PMCO) do not exceed HK\$1,000,000. Pursuant to section 39A of the PMCO, PMCO does not apply to construction operations for domestic unit or mere renovation.

Pursuant to section 35(5) of the PMCO, the contractor is liable to make a payment of PCFL only if the Pneumoconiosis Compensation Fund Board (“**PCFB**”) serves a Notice of Assessment (“**NOA**”). PCFL, surcharge, penalty or further penalty is recoverable by the PCFB as civil debt under District Court’s jurisdiction. Fraudulent evasion of the PCFL payment is liable to a fine of HK\$10,000 or 20 times the amount of PCFL, whichever is greater.

Contractors are required to:

- (a) inform the PCFB the commencement of construction operations within 14 days thereafter by a notice of commencement (Form 1). Failure to comply without reasonable excuse is liable for a fixed fine at Level 2 at HK\$5,000;
- (b) inform the PCFB within 14 days after the contractor receives a payment in respect of the construction operation by a Notice of Payment (“**NOP**”) (Form 2). Failure to comply without reasonable excuse is liable for a fixed fine at Level 2 at HK\$5,000; and

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## REGULATORY OVERVIEW

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- (c) inform the PCFB the completion of the construction operations within 14 days by a Notice of Completion (“NOC”) (Form 3). Failure to comply without reasonable excuse is liable for a fixed fine at Level 2 at HK\$5,000.

According to regulation 6 of the PMCALR, the PCFB shall assess the PCFL payable upon receiving the NOP or NOC and give a NOA in writing specifying the amount of PCFL. The PCFB can make the assessment notwithstanding no NOP or NOC has been given. If a contractor fails to give the NOP or NOC, a surcharge not exceeding twice the amount of the PCFL payable may be imposed and a Notice of Sunchange (“NOS”) in writing shall be given by the PCFB.

According to section 37 of the PMCO, if the contractor fails to pay in full the amount of levy or surcharge within 28 days after the NOA or NOS is given, a 5% penalty of the unpaid amount shall be imposed. If the contractor still fails to pay the unpaid amount within 3 months after the expiry of 28 days, a further 5% penalty of the unpaid amount or HK\$1,000 whichever is greater shall be imposed.

The time limits for the PMFB to make the assessment or imposing the surcharge under regulations 6E to 6H of the PMCALR are, whichever is the latest of the following periods:

- (a) 2 years after the completion of all construction operations under the contract, or, without term contract, 2 years after the completion of the construction operations;
- (b) 2 years after the expiry of the period within which the contract stipulates that all such construction operations have to be completed; or
- (c) 1 year after evidence, sufficient in the opinion of the PMFB to justify the making of the assessment, comes to its knowledge.

As at the Latest Practicable Date, our Group has duly paid the relevant and necessary levy as required under the PMCO.

### **E. OTHER RELEVANT LAWS AND REGULATIONS**

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

The CO, in full operation since 14 December 2015 (i) prohibits conduct that prevents, restricts or distorts competition in Hong Kong; (ii) prohibits mergers that substantially lessen competition in Hong Kong; and (iii) provides for incidental and connected matter.

The “First Conduct Rule” prohibits anti-competitive agreements, practices and decisions. It provides that an undertaking must not (i) make or give effect to an agreement; (ii) engage in a concerted practice; or (iii) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort

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## REGULATORY OVERVIEW

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competition in Hong Kong. Serious anti-competitive conduct includes (i) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iv) bid-rigging.

The “Second Conduct Rule” prohibits the abuse of market power. It provides that an undertaking that has a substantial degree of market power in a market must not abuse such power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. This conduct may in particular, constitute an abuse of such market power if it involves predatory behavior towards competitors or limiting production, markets or technical development to the prejudice of consumers. Matters that may be taken into consideration when determining whether an undertaking has a substantial degree of market power in a market include (i) the market share of the undertaking; (ii) the undertaking’s power to make pricing and other decisions; and (iii) any barriers to entry to competitors into the relevant market.

The First Conduct Rule and the Second Conduct Rule apply to all sectors of the Hong Kong economy, including construction industry clients, contractors and subcontractors. Therefore, our Group is subject to Competition Ordinance generally.

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

### **The proposed Security of Payment Legislation (“SPL”) for the construction industry**

The Development Bureau launched the 3-month public consultation on 1 June 2015 for the proposed SPL for the construction industry that aims to improve payment terms and payment delays, encourage rapid dispute resolution and increase cash flow of operators in the construction industry. The Government is currently proceeding with the legislative work with the aim of introducing the bill in relation to the proposed SPL for the construction industry to the Legislative Council in 2017.

Under the proposed SPL, contract parties have (i) the right to progress payments; (ii) the right to adjudication; and (iii) the right to suspend works for non-payment.

Our Directors are of the view that the proposed SPL will (i) lessen delays in progress payments from our customers, which will improve our cash flow and liquidity; (ii) provide an effective adjudication framework to resolve disputes that may arise between us and our customers in a timely and cost-efficient manner, which will reduce

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## REGULATORY OVERVIEW

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the costs and time expended by our Group in handling disputes; and (iii) lessen the delays in performance by our Group that may arise as a result of non-payment or disputes throughout our supply chain, which will result in a reduction in disruptions in our Group's operations and delays in performing our project works.



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## HISTORY, DEVELOPMENT AND REORGANISATION

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### OUR CORPORATE HISTORY

Our history can be traced back to 1997, when Ming Shing was incorporated by Mr. Law and 3 other former shareholders on 31 January 1997, namely Mr. Chan Kwong Chiu Summer, Mr. Leung Chi Ming and Mr. Lau Kan Sui Sanny, each of them being an independent third party, to undertake civil engineering and construction projects. Following a number of share allotments and transfers, Mr. Law had owned the entire issued share capital of Ming Shing since 4 December 2014. Mr. Law has been working in the construction industry since 1979.

Ming Shing first positioned itself as a subcontractor in the civil engineering industry and started to build business relationship with some construction main contractors and participated in a number of construction projects.

As the business of Ming Shing became mature, it started to explore further opportunities in the industry including being a main contractor for civil engineering projects. Ming Shing was registered on the Approved Contractors List in the category of Roads and Drainage (Group B (Probation)) since October 2000 and in the category of Waterworks (Group A (Probation)) since April 2005. Ming Shing was awarded its first project as a main contractor in 2001 for a widening of a section of a road in Yuen Long for the Highways Department. Ming Shing was also admitted to the Approved Contractors List in the category of Site Formation (Group B (Probation)) since October 2005, which enabled Ming Shing to undertake public site formation projects. Ming Shing was awarded its first public site formation project as a contractor in 2013 in Tung Chung for the CEDD. Notwithstanding the registrations on the Approved Contractors List, Ming Shing continued to act as a subcontractor in other construction projects. Ming Shing is currently registered as registered subcontractor for Foundation and Piling (Sheet piles, Micro piles), for Concreting Formwork (Timber formwork, Large panel formwork, Metal/system formwork) and for General Civil Works (Earthwork, Roadworks, Road drainage and sewer) with the Construction Industry Council. To further expand our business and in line with our Directors' positive view of the building construction industry in Hong Kong, we have also been registered with the Building Authority as RGBC since June 2017.

Currently, our Company is actively engaged in civil engineering works such as site formation, ELS and pile cap construction; and roads and drainage and waterworks as well as building works in Hong Kong.



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## HISTORY, DEVELOPMENT AND REORGANISATION

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### IMPORTANT BUSINESS MILESTONES

The following illustrates certain key milestones and achievements in the business development of our Group:

<b>Year</b>	<b>Event</b>
1997	Ming Shing commenced its operation of undertaking civil engineering works in Hong Kong
2000	Ming Shing was registered on the Approved Contractors List in the category of Roads and Drainage (Group B (Probation))
2001	Ming Shing was awarded its first project as a main contractor for a widening of a section of a road in Yuen Long for the Highways Department
2003	Ming Shing was accredited with ISO9001:2000 quality management system standard in relation to construction of civil engineering works (roads and drainage)
2005	Ming Shing was accredited with ISO9001:2000 quality management system standard in relation to construction of civil engineering works (roads and drainage, site formation) and Construction of landslip preventive and remedial works to slopes and retaining walls
2005	Ming Shing was registered on the Approved Contractors List in the category of Waterworks (Group A (Probation)) and of Site Formation (Group B (Probation))
2006	Ming Shing was accredited with ISO 9001:2008 quality management system standard in relation to construction of civil engineering works (roads and drainage works, site formation works), construction of landslip preventive and remedial works to slope and retaining walls
2013	Ming Shing was awarded its first public site formation project as a contractor in Tung Chung for the CEDD
2017	Ming Shing was first registered with the Building Authority as Registered General Building Contractor

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## HISTORY, DEVELOPMENT AND REORGANISATION

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Details of the members of our Group and their respective corporate history are set out below:

### OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 January 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares at a par value of HK\$0.01 each. On 6 February 2018, one fully-paid Share was allotted and issued to the initial subscriber of our Company, which was subsequently transferred to Miracle Investments on 6 February 2018.

On 6 February 2018, our Company allotted and issued 99 Shares, credited as fully-paid, to Miracle Investments in consideration for the acquisition of the entire issued share capital in Civil Link from Miracle Investments. Immediately following the above allotment and share transfer, our Company was wholly-owned by Miracle Investments.

On 8 October 2018, our Company resolved to increase its authorised share capital from HK\$380,000 divided into 38,000,000 shares of par value HK\$0.01 each to HK\$30,000,000 divided into 3,000,000,000 shares of par value HK\$0.01 each by the creation of an additional 2,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.

As at the Latest Practicable Date, our Company acted as the holding company of our Group with its business being conducted through the principal operating subsidiary of our Company, namely Ming Shing.

### OUR SUBSIDIARIES

#### Civil Link

Civil Link was incorporated in the BVI with limited liability on 30 January 2018 and was authorised to issue a maximum of 50,000 shares of a single class each at a par value of US\$1.00. On 30 January 2018, 100 fully-paid ordinary shares of Civil Link, representing the entire issued shares of Civil Link, was allotted and issued at par to Miracle Investments.

As part of the Reorganisation, Miracle Investments transferred the entire issued shares of Civil Link to our Company on 6 February 2018. After the aforesaid share transfer, Civil Link became a direct wholly-owned subsidiary of our Company.

Civil Link is an investment holding company and had not commenced any business activities as at the Latest Practicable Date.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### Ming Shing

Ming Shing was incorporated in Hong Kong with limited liability on 31 January 1997 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. The initial share allotments of Ming Shing on 3 February 1997 were as follows:

<b>Name of Shareholder</b>	<b>No. of shares</b>	<b>Approximate shareholding percentage</b>
Mr. Law Fu Keung	250	25.00%
Mr. Chan Kwong Chiu Summer	250	25.00%
Mr. Leung Chi Ming	250	25.00%
Mr. Lau Kan Sui Sanny	250	25.00%
	<u>1,000</u>	<u>100.00%</u>

Mr. Lau Kan Sui Sanny transferred his entire shareholding in Ming Shing to Mr. Leung Chi Ming on 12 November 1997 for a consideration of HK\$250. Given the shareholding of Mr. Leung Chi Ming in Ming Shing was increased upon the transfer of shares from Mr. Lau Kan Sui Sanny, on 12 November 1997, Ming Shing resolved to allot and issue new shares at par to Mr. Law and Mr. Chan Kwong Chiu Summer so that all shareholders had equal shareholding. Following the aforesaid share transfer and allotment of new shares, the shareholding structure of Ming Shing was as follows:

<b>Name of Shareholder</b>	<b>No. of shares</b>	<b>Approximate shareholding percentage</b>
Mr. Law Fu Keung	500	33.33%
Mr. Chan Kwong Chiu Summer	500	33.33%
Mr. Leung Chi Ming	500	33.33%
	<u>1,500</u>	<u>100%</u>

There were certain share allotments of shares of Ming Shing to the then shareholders on a pro-rata basis in 2000 and 2011 for raising Ming Shing's issued share capital in order to fulfil the requirements of the Government for admission to the Approved Contractors List and satisfying subsequent capital requirements.

In 2014, Mr. Law, being confident in our Group's prospect, learned of the retirement intention of Mr. Leung Chi Ming, offered to acquire all of Mr. Leung Chi Ming's shares in Ming Shing. Mr. Law also offered to Mr. Chan Kwong Chiu Summer to acquire all of his shares in Ming Shing. Mr. Law agreed to acquire and each of Mr. Leung Chi Ming and Mr. Chan Kwong Chiu Summer agreed to sell his respective 1,920,000 shares of Ming Shing at

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## HISTORY, DEVELOPMENT AND REORGANISATION

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a consideration of HK\$1,666,667. Such consideration was determined based on arm's length negotiation. The share transfer was completed on 4 December 2014. Since then, Mr. Law became the sole shareholder of Ming Shing.

Ming Shing is engaged in civil engineering and building construction works.

### REORGANISATION

Our Group underwent the Reorganisation prior to the Share Offer to rationalise our Group's structure in preparation for the Share Offer. The major steps of our Reorganisation are summarised as follows:

#### 1. Incorporation of Civil Link

Civil Link was incorporated in the BVI on 30 January 2018 and was authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00 each. 100 fully paid ordinary shares of Civil Link representing all of the issued shares of Civil Link was allotted and issued to Miracle Investments on 30 January 2018.

#### 2. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 January 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of par value HK\$0.01 each. On 6 February 2018, one fully-paid Share was allotted and issued to the initial subscriber of our Company, which was subsequently transferred to Miracle Investments on 6 February 2018.

#### 3. Acquisition of Ming Shing

On 6 February 2018, Civil Link acquired an aggregate of 5,760,000 shares in Ming Shing, representing the entire issued share capital of Ming Shing, from Mr. Law in consideration of which Civil Link allotted and issued an aggregate of 100 fully-paid shares in Civil Link to Miracle Investments.

#### 4. Acquisition of Civil Link

On 6 February 2018, our Company acquired the entire issued shares in Civil Link, and as consideration, our Company allotted and issued 99 fully-paid Shares to Miracle Investments.

Pursuant to the aforesaid transactions, our Company became the holding company of Civil Link and Ming Shing, and Miracle Investments became the shareholder of the entire issued share capital of our Company.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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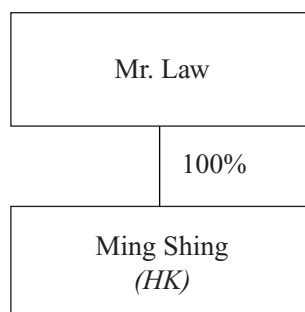
### 5. Capitalisation Issue and Share Offer

On 8 October 2018, our Company resolved to increase its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$30,000,000 divided into 3,000,000,000 Shares of par value HK\$0.01 each in order to be positioned to (i) allot and issue 400,000,000 new Shares to the Share Offer; and (ii) allot and issue a further 1,199,999,900 new Shares to the existing shareholder of our Company, namely Miracle Investments.

Our Company will offer 40,000,000 Public Offer Shares under the Public Offer for subscription by the public of Hong Kong and 360,000,000 Placing Shares under the Placing for subscription by professional, institutional and other investors, representing a total of 25% of the enlarged issued share capital of our Company upon Listing.

### THE CORPORATE STRUCTURE OF OUR GROUP

Set out below is the corporate structure of our Group immediately before the Reorganisation:

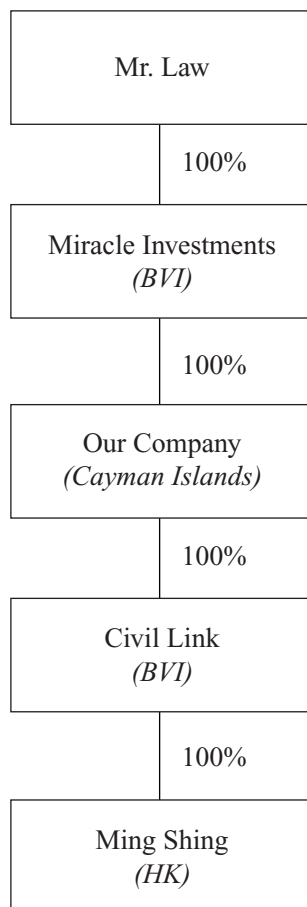


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## HISTORY, DEVELOPMENT AND REORGANISATION

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The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Share Offer:

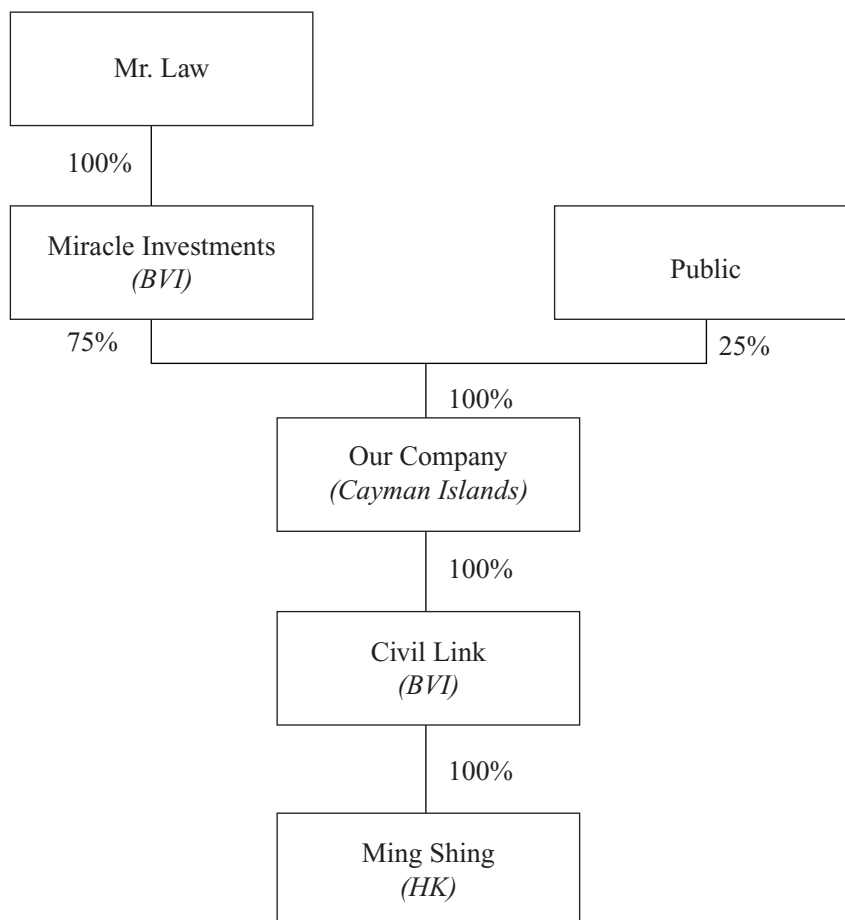


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## HISTORY, DEVELOPMENT AND REORGANISATION

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The following diagram sets out the corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme):





## BUSINESS

### OVERVIEW

We are a contractor which has a long history of undertaking civil engineering works in Hong Kong with operation history since 1997. During the Track Record Period, a majority of our civil engineering works can be broadly categorised as (i) site formation; (ii) ELS and pile cap construction; and (iii) roads and drainage and waterworks. We are able to undertake civil engineering works as either a main contractor or a subcontractor. We are registered in the Approved Contractors List maintained by the Development Bureau in the categories of Site Formation (Group B (Probation)), Roads and Drainage (Group B (Probation)) and Waterworks (Group A (Probation)), which enable us to directly tender for public works contracts in these works categories and groups for which we are approved. Since June 2017, our Group has also been registered as a Registered General Building Contractor with the Buildings Department and as such, our Group is qualified to carry out private sector building works as well as A&A works as a main contractor.

The following table sets forth a breakdown of our revenue by types of works, our role as main contractor or subcontractor and by sectors during the Track Record Period:

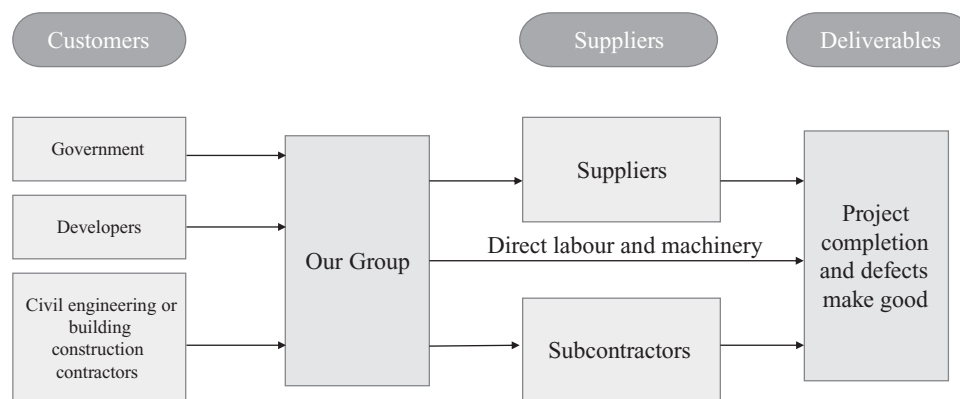
	For the year ended 31 December						For the four months ended 30 April 2018	
	2015		2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<i>Civil engineering works</i>								
Site formation	19,920	8.4	10,365	2.9	98,027	24.7	30,819	41.4
ELS and pile cap construction	159,546	67.4	344,277	95.8	197,617	49.7	17,454	23.4
Roads and drainage and waterworks	<u>57,213</u>	<u>24.2</u>	<u>4,799</u>	<u>1.3</u>	<u>78,348</u>	<u>19.7</u>	<u>17,571</u>	<u>23.6</u>
<i>Building works</i>								
Building and A&A works	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>23,357</u>	<u>5.9</u>	<u>8,602</u>	<u>11.6</u>
Total	<u>236,679</u>	<u>100.0</u>	<u>359,441</u>	<u>100.0</u>	<u>397,349</u>	<u>100.0</u>	<u>74,446</u>	<u>100.0</u>
	For the year ended 31 December						For the four months ended 30 April 2018	
	2015		2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector	57,213	24.2	41,079	11.4	152,020	38.3	48,894	65.7
Private sector	<u>179,466</u>	<u>75.8</u>	<u>318,362</u>	<u>88.6</u>	<u>245,329</u>	<u>61.7</u>	<u>25,552</u>	<u>34.3</u>
Total	<u>236,679</u>	<u>100.0</u>	<u>359,441</u>	<u>100.0</u>	<u>397,349</u>	<u>100.0</u>	<u>74,446</u>	<u>100.0</u>

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	For the year ended 31 December						For the four months ended	
	2015		2016		2017		30 April 2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contactor	–	–	13,985	3.9	65,194	16.4	17,699	23.8
Subcontractor	236,679	100.0	345,456	96.1	332,155	83.6	56,747	76.2
<b>Total</b>	<b>236,679</b>	<b>100.0</b>	<b>359,441</b>	<b>100.0</b>	<b>397,349</b>	<b>100.0</b>	<b>74,446</b>	<b>100.0</b>

During the Track Record Period, we undertook works in an aggregate of 29 civil engineering projects and 3 building works projects, all of which contributed revenue to our Group. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, we were awarded 9, 6, 14 and 4 projects, respectively.

We secure our projects mainly from civil engineering or building construction main contractors or subcontractors, the Government and developers, after going through a competitive bidding process whereby we either (i) are invited or selected by potential clients to submit quotation or tender; or (ii) submit our bid in response to tender information and invitation published in the Gazette and/or the websites of various departments of the Government. The following diagram summarises our business model:



As at the Latest Practicable Date, we have 14 civil engineering projects and 2 building works projects on hand, all of which are ongoing.

### OUR COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths that distinguish our Group and set us apart from our competitors:

### **Skilled contract management and expertise in dealing with construction contracts' financial issues**

We believe contract management is one of the most important elements of our business. Mr. Law, our founder and executive Director, throughout his over 38 years of experience in civil engineering and construction field, has acquired extensive knowledge in quantity surveying and contract management and is well versed in all financial matters under a construction contract. In general, the value of works done is commonly assessed and paid with reference to the unit rates and measurement methods stated in the contract. For public works projects, tenderers are required to insert their unit rates in the bill of quantities provided by the client to build up the estimated contract sum. During the course of project execution, variations such as additions or changes are often instructed by the customer and the valuation of the variations will be made with reference to the unit rates in the contract, if applicable, or new rates as agreed between the parties. Mr. Law plays a leading role in tendering by studying the tender particulars carefully, focusing on matters relating to measurement methods, and identifying the quantities of any missing/incorrectly measured works, and any potential areas of disruption and prolongation which may legitimately entitle our Group to claims for additional monetary payment for the work done under the contract. In some public sector projects which our Group acted as the main contractor, our project team has successfully used its expertise to improve the financial performance of the project by ensuring that all financial claims are properly supported and correctly analysed.

For instance, when we believe that the quantities of certain items in the tender documents are overestimated, we may insert lower unit rates for these items so our tender in effect will become competitive as the total tender price appears to be lower. When it turns out that we are instructed to complete small quantities of those overestimated items, our project profit is not significantly affected, and vice versa. During the Track Record Period, we were involved in two public projects as a main contractor and the overall gross profit margin for these two projects ranged from 16.5% to 18.0%, while our Group's overall gross profit margin for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 was 8.3%, 9.6%, 14.8% and 10.3%, respectively. For details of our project pricing, please refer to the paragraph headed "Pricing of our quotations" in this section. Our Directors believe that our in-depth knowledge of measurement methods, extensive construction experience of similar projects and sophisticated contract management skills are crucial to our business development.

### **Experienced, stable and highly dedicated management team**

Our management team is highly experienced with many years of operational and construction management expertise and practical experience in the construction industry in Hong Kong. Mr. Law, our executive Director and chief executive officer, has over 38 years of industry experience and is involved in different areas including civil engineering construction and quantity surveying. Ms. Cheng has more than 18 years of working experience with our Group and is responsible for administrative and human resources matters. In addition, Mr. Leung Chi Hung and Mr. Law Fu Kwok, members of our senior management, each has over 28 years of experience in the construction industry. Our management team enables our Group to secure new business, manage and execute our projects, procure construction materials, provide safe and healthy working condition and

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ensure our quality control. For details of the qualification and experience of our Directors and senior management team, please refer to the section headed “Directors, Senior Management and Employees” of this prospectus. Our Directors believe that our management team’s experience and extensive knowledge in the construction industry would sharpen our competitiveness, streamline our operations and lead our Group to achieve better results.

### **Diversified and stable customer relationship**

We have established stable business relationship with our major customers. Our major customers include various works departments of the Government, active construction contractors in Hong Kong. A number of our major customers are long established and some of which are listed companies. We believe that our relationship with our major customers reinforce their confidence which would be taken into account by them in their future referrals of business opportunities to our Group.

In addition, we have diversified business focus that we possess a wide range of qualifications for civil engineering and building construction works. We are on the Approved Contractors List in Group A (Probation) under the Waterworks category and Group B (Probation) under the Site Formation and Roads and Drainage categories as maintained by the Development Bureau. During the Track Record Period, our Group was not awarded any contracts in Group A (Probation) under the Waterworks categories and was awarded 1 and 1 contract with a contract sum of approximately HK\$93.0 million and HK\$42.5 million in Group B (Probation) under the Site Formation and Roads and Drainage categories, respectively. Since June 2017, our Group has been also registered as a Registered General Building Contractor with the Buildings Department. We are able to undertake roads and drainage, site formation and waterworks in the public sector and building works in the private sector as a main contractor.

Besides acting as a main contractor, we also act as a subcontractor in some construction projects and we possess labour, machinery and equipment to undertake certain construction works ourselves. Our Directors are of the view that being both main contractor and subcontractor in effect diversifies our income generating capacity and enlarges our customer base.

### **Stringent quality control**

We have established a safety management and quality management system. Through systematic and effective control on our staff and labour together with supervision procedures for our subcontractors, we uphold our standard of quality and reduce issues related to quality or non-conformity with specifications and standards. In 2003, we were accredited with ISO9001:2000 quality management system in recognition of our efforts in quality management. Moreover, we have established and developed an in-house quality plan according to our experience in different scopes of construction. We believe that our customers, whether they are the ultimate owner or the main contractor of the project, would place strong emphasis on quality, including workmanship and material quality, and continuously delivering quality service and our track record in complying with customer’s requirements and quality control will enhance our credibility and customers’ confidence in us.

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### OUR BUSINESS STRATEGIES

Achieving sustainable growth in our business is central to our business objective and in doing so, we plan to adopt the following strategies:

#### **Acquire machinery to enhance our capacity and improve our profitability**

Our operations involve the extensive use of machinery and equipment. Throughout the Track Record Period, we have been acquiring machinery and equipment, including excavators, crawler crane, dumping lorries, air compressors and diesel generators with an aggregate cost of approximately HK\$38,551,000. Our Directors believe that owning machinery can expand our capacity, lower machinery rental expenses, reduce the reliance on subcontractors which would in turn enhance our profitability. Based on the construction projects currently on hand, we anticipate the acquisition of additional crawler cranes, excavators, truck mounted concrete pump, hydraulic breakers and crane lorries will facilitate our project implementation and these machinery will likely be deployed in existing projects and similar projects we would intend to bid in the future as our Directors confirm that these machinery and equipment are common and expect they will be increasingly used in our civil engineering and building works projects.

We have invested considerably in machinery and equipment during the Track Record Period. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, we spent approximately HK\$705,000, HK\$7,878,000, HK\$29,968,000 and HK\$2,489,000, respectively, for the acquisition of crawler crane, excavators, air compressors, diesel generators, dumping lorries. Subsequent to the Track Record Period and up to the Latest Practicable Date, we spent approximately HK\$4,165,000 for the acquisition of diesel generator and crawler crane. Acquisition of plant and machinery will be our primary strategy and we intend to utilise the net proceeds from the Share Offer in the amount of approximately HK\$46 million (assuming the mid-point of the Offer Price range) to finance the proposed acquisition of the machinery, details of which are set out in the section headed “Future Plans and Use of Proceeds” of this prospectus.

#### **Strengthen our market position as a civil engineering contractor and obtain market share in building construction works**

We plan to further strengthen our market position in the civil engineering industry. We are currently on the Approved Contractors List in Group A (Probation) under the Waterworks category and Group B (Probation) under the Site Formation and Roads and Drainage categories. We have a medium to long term target to apply to the Secretary for Development for the Confirmation status for the Site Formation and Roads and Drainage categories in which we are on probationary status by undertaking large scale roads and drainage and site formation projects to satisfy the contract completion criteria for confirmation. By successfully applying to the confirmed status, our Group will be eligible to tender for any number of contracts in the respective group and category of works provided that the contract value does not exceed HK\$100 million for Group A (Confirmed) and HK\$300 million for Group B (Confirmed), in contrast to Group A (Probation) and Group B (Probation) contractors, they are only eligible to tender or for award of any number of contracts that they already hold and being procured under the same category does not exceed HK\$100 million and HK\$300 million, respectively. Coupled with our plan to acquire plant and machinery as discussed above, our Directors consider that while we envisage to strengthen our market position in the civil engineering industry as either a main contractor or a subcontractor, we will also need to expand our professional project management team. Since our capacity also hinges on project management personnel, and if we grow our business by undertaking larger number of projects, more experienced staff with solid knowledge and relevant job references including project director, project manager, quantity

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surveyor, safety officer and foremen should be recruited to join our workforce. During the Track Record Period, our civil engineering project works can be broadly categorised as (i) site formation; (ii) ELS and pile cap construction; and (iii) roads and drainage works and waterworks. While our Directors will continue to seek opportunities in these areas, we will also explore other civil engineering projects which we consider that we are capable of completing.

To sustain business growth, we have tapped into the building construction and A&A market since June 2017. Riding on our status of being registered as the Registered General Building Contractor with the Buildings Department, our Group can perform building works in the private sector as a main contractor. We were awarded two building works projects in Sha Tin District (Job 19) and Kowloon City District (Job 29) as a subcontractor in June 2017 and December 2017, respectively. We were further awarded a property development project at Yau Tsim Mong District (Job 31) in February 2018 as a main contractor for the foundation, ELS and pile cap works. We plan to actively look for building works projects, whether as a main contractor or a subcontractor, to accumulate our job references which we consider to be conducive to our competitiveness. According to the Ipsos Report, gross output value of the general building construction industry is expected to grow between 2018 and 2022 as supported by the upcoming development plans and existing construction projects, including the Government's initiative to increase public housing supply, development programme of Kwu Tung North and Fanling North to increase residential and commercial buildings supply. Therefore, it will be essential for our Group to shore up our management personnel with building construction expertise. We plan to recruit a complete project management team for building construction upon Listing which will comprise one professional project director, one qualified or experienced quantity surveyor, one building services coordinator, one planning engineer, two site foremen and one safety officer, which can assist our Group to tender and complete potential building construction projects as a main contractor.

### **Adhere to prudent financial management to ensure optimal finance costs and capital sufficiency**

Our Directors believe that the expansion of capacity and business growth have to be supported by sound financial position and sufficient financial resources. A strong capital base is essential to cope with increased turnover and support capital intensive building projects. It is common in the construction industry that contractors incur upfront costs in construction projects to complete works before progress payment is received. We have managed our capital and cash position prudently and believe that we have a good reputation in settling our liabilities and payments to our suppliers and subcontractors in a timely manner. We have also used our best endeavours to collect amounts due to us from our debtors or customers efficiently to avoid liquidity problem. After the Listing, we will continue to monitor our liquidity position and assess the funding requirements of each project. In particular, our Directors expect to utilise a portion of the net proceeds from the Share Offer to fund the initial working capital needs of our Group's existing civil engineering projects and future building construction project. We will also review our size of external borrowing as well as the obligations under finance leases. Our Directors are of the view that the Share Offer will strengthen our financial position and allow our Group to undertake more sizeable projects in existing and new business areas.



### OUR BUSINESS OPERATIONS

We principally provide civil engineering works which can be broadly categorised as (i) site formation; (ii) ELS and pile cap construction; and (iii) roads and drainage works and waterworks. Since June 2017, we are able to provide general building works including building construction and A&A works in Hong Kong.

#### **Civil engineering works**

We act as both main contractor and subcontractor in civil engineering works, in accordance with the instructions, drawings and specifications as designed and instructed by our customers. Civil engineering in Hong Kong commonly refers to the construction of various infrastructures, construction of foundations, landslip prevention and slope works, site formation, roads and drainage works, waterworks and port works. Our civil engineering projects come from both private and public sectors. The following set out description of the major categories of civil engineering works that we performed during the Track Record Period:

#### *Site formation*

Site formation works are performed to prepare a piece of land in order to (i) accommodate buildings or other facilities which will be constructed within the area of the land; (ii) form the land to the required orientation, shape or levels; and (iii) provide the required support infrastructures, including access roadways, drainage and related services. Site formation works generally involve the clearance of construction site, demolition of existing structures, reduction and stabilisation of existing slopes, and associated works such as construction of roads and drainage network. Site formation works also include the establishment of fill tank for the storage of public fill materials arising from construction activities.

The following photo illustrates an example of our site formation project:





### *ELS and pile cap construction*

Substructure construction, which generally includes construction of basements and underground facilities beneath the superstructure, is common in Hong Kong because land is limited and buildings tend to develop in the vertical direction. The general purpose of ELS works is to provide lateral support to deep excavation so as to facilitate subsequent construction of footing foundation or pile caps for further infrastructure development. A pile cap is a mat-like concrete structure rests on top of the piles in order to distribute the loads of the building into the piles. Generally, ELS works begin by forming a periphery wall with sheet piles, pipe piles or soldier piles as earth support structures around the designated area where excavation will be done. As the excavation progresses, layers of horizontal wailings and struts will then be installed to provide lateral bracing against the periphery wall, and depending on the depth and soil condition, vertical king-posts will also be installed to support the wailing and struts. After installation of sufficient lateral supports as designed by the engineer, further excavation will be performed. The process of excavation and installation of wailings and struts will be repeated until desired depth of excavation is reached. In general, tiebacks, cross-lot steel struts and raking struts are also commonly used as ELS in Hong Kong.

During the Track Record Period, our ELS works were typically carried out in conjunction with the construction of pile cap or footing. We start ELS works after the piles are constructed by the foundation contractor. When the ELS is completed and the excavation reaches the required level, we build the pile cap or footing, the major procedures of construction of pile cap or footing are (i) setting out to determine the exact position of the pile cap or footing; (ii) erecting the formwork; (iii) fixing the reinforcement bar; (iv) inspection and cleaning of the formwork and reinforcement; (v) concreting; and (vi) curing the concrete.

The following diagram illustrates typical ELS and construction of pile caps works:



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### *Roads and drainage works and waterworks*

Our roads and drainage works typically include construction of footway, cycle-way and carriageway, which may be made of concrete or bituminous, manholes, laying of pipes and landscaping works. Waterworks typically include the replacement and maintenance of water mains.

Set out below is an example of our roads and drainage works:



### **Building and A&A works**

We have been registered as the Registered General Building Contractor with the Buildings Department since June 2017. Registered General Building Contractors may carry out general building works and street works controlled under the Buildings Ordinance which do not include any specialist works designated for Registered Specialist Contractors in Hong Kong. As a Registered General Building Contractor, we may also carry out A&A works and minor works as well.

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### OUR PROJECTS

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

	For the year ended 31 December						For the four months ended	
	2015		2016		2017		30 April	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Civil engineering works</b>								
Site formation	19,920	8.4	10,365	2.9	98,027	24.7	30,819	41.4
ELS and pile cap construction	159,546	67.4	344,277	95.8	197,617	49.7	17,454	23.4
Roads and drainage and waterworks	<u>57,213</u>	<u>24.2</u>	<u>4,799</u>	<u>1.3</u>	<u>78,348</u>	<u>19.7</u>	<u>17,571</u>	<u>23.6</u>
<b>Building works</b>								
Building and A&A works	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>23,357</u>	<u>5.9</u>	<u>8,602</u>	<u>11.6</u>
<b>Total</b>	<u>236,679</u>	<u>100.0</u>	<u>359,441</u>	<u>100.0</u>	<u>397,349</u>	<u>100.0</u>	<u>74,446</u>	<u>100.0</u>

### Projects as main contractor and as subcontractor

We carry out our works either as a main contractor or a subcontractor. The table below sets out a breakdown of our Group's revenue by the role as a main contractor or subcontractor during the Track Record Period:

	For the year ended 31 December						For the four months ended	
	2015		2016		2017		30 April	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	—	—	13,985	3.9	65,194	16.4	17,699	23.8
Subcontractor	<u>236,679</u>	<u>100.0</u>	<u>345,456</u>	<u>96.1</u>	<u>332,155</u>	<u>83.6</u>	<u>56,747</u>	<u>76.2</u>
<b>Total</b>	<u>236,679</u>	<u>100.0</u>	<u>359,441</u>	<u>100.0</u>	<u>397,349</u>	<u>100.0</u>	<u>74,446</u>	<u>100.0</u>

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The following table sets out the number of contracts that have been awarded to our Group during the Track Record Period and the corresponding amount of initial contract sum or awarded amount:

	<b>For the year ended 31 December</b>			<b>For the four months ended 30 April 2018</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	
Number of contracts awarded ( <i>Note</i> )	9	6	14	4
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Corresponding aggregate amount of initial contract sum or awarded amount	742,210	380,726	474,160	69,595

*Note:* Date of award of a contract refers to the date of letter of intent, letter or award or actual commencement date of construction activities, whichever is the earliest.

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### OUR PROJECTS

#### Projects on hand

As at the Latest Practicable Date, we had 16 projects on hand (including projects in progress and projects which are awarded to us but have not yet commenced), details of which are set out in the following table:

No.	Code	Site location	Sector	Type of works	Commencement date (Note 1)	Expected completion date (Note 2)	Total contract sum (Note 3)	Accumulated revenue recognised during the Track Record Period	Estimated revenue to be recognised for the eight months ending 31 December 2018 (Note 4)	Estimated revenue to be recognised after the year ending 31 December 2018 (Note 4)
1	Job 7	A public hospital located at Kwun Tong	Public	ELS and pile cap construction	November 2015	December 2018	54,926	35,681	19,245	–
2	Job 10	Mui Wo, the Islands District	Public	Roads and drainage and waterworks	July 2016	February 2019	48,720	33,061	9,426	6,233
3	Job 11	Sha Tin District	Public	Site formation	March 2016	November 2018	93,025	63,817	29,208	–
4	Job 17	Castle Peak Bay, Tuen Mun District	Private	Roads and drainage and waterworks	July 2017	October 2018	15,675	9,880	5,795	–
5	Job 20	Fill bank located at Tuen Mun	Public	Site formation	May 2017	October 2019	141,395	75,393	57,639	8,363
6	Job 21	Power station located at Lamma Island, the Islands District	Private	Roads and drainage and waterworks	November 2017	April 2019	48,422	7,734	34,004	6,684
7	Job 27	Tseung Kwan O, Sai Kung District	Private	ELS and pile cap construction	October 2017	November 2019	73,271	10,060	28,576	34,635
8	Job 28	A public hospital located at Tuen Mun	Private	ELS and pile cap construction	September 2018	December 2019	18,735	–	18,735	–
9	Job 29	To Kwa Wan, Kowloon City District	Private	Building works	December 2017	June 2019	51,210	8,318	31,692	11,200
10	Job 30	Ho Man Tin, Kowloon City District	Public	ELS and pile cap construction	February 2018	December 2018	20,267	4,600	15,667	–
11	Job 31	Tai Kok Tsui, Yau Tsim Mong District	Private	ELS and pile cap construction	February 2018	February 2019	29,280	2,283	18,497	8,500
12	Job 32	Tuen Mun District	Public	Building works	April 2018	October 2018	14,368	1,707	12,661	–
13	Job 34	Kai Tak, Kowloon City District	Private	ELS and pile cap construction	May 2018	October 2018	1,995	–	1,995	–
14	Job 35	Kai Tak, Kowloon City District	Private	ELS and pile cap construction	May 2018	October 2018	12,774	–	12,774	–
15	Job 36	Southern District	Private	ELS and pile cap construction	October 2018	October 2019	48,461	–	10,461	38,000
16	Job 37	Yuen Long District	Private	ELS and pile cap construction	October 2018	February 2020	116,100	–	8,800	107,300
							788,624	252,534	315,175	220,915

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### Completed projects

During the Track Record Period, we completed the following projects:

No.	Code	Site location	Sector	Type of works	Commencement date (Note 1)	Completion date (Note 5)	Initial contract sum HK\$'000	Amount of variation orders (Note 6) HK\$'000	Final contract sum (Note 3) HK\$'000	Accumulative revenue recognised during the Track Record Period HK\$'000
1	Job 1	Sai Kung District	Private	ELS and pile cap construction	February 2015	April 2016	117,995	46,995	164,990	164,990
2	Job 2	Pak Shek Kok, Tai Po District	Private	Site formation	January 2015	April 2015	13,900	(1,422)	12,478	12,478
3	Job 3	Tseung Kwan O, Sai Kung District	Private	ELS and pile cap construction	March 2015	March 2016	16,626	(844)	15,782	15,782
4	Job 4	Pak Shek Kok, Tai Po District	Private	Site formation	May 2015	August 2015	7,965	(523)	7,442	7,442
5	Job 5	A planned performing arts complex located at Kowloon Bay	Public	Roads and drainage and waterworks	March 2016	November 2016	560	619	1,179	1,179
6	Job 6	So Kwun Wat, Tuen Mun District	Private	ELS and pile cap construction	May 2016	December 2017	219,343	13,450	232,793	232,793
7	Job 8	Hong Kong, Zhuhai, Macau Bridge, Tung Chung, the Islands District	Public	Roads and drainage and waterworks	June 2015	December 2015	352,694	(295,482) (Note 7)	57,212	57,212
8	Job 9	Kai Tak, Kowloon City District	Private	ELS and pile cap construction	September 2015	March 2016	55,562	6,892	62,454	62,454
9	Job 12	Hung Hom, Kowloon City District	Private	ELS and pile cap construction	March 2016	August 2016	19,932	4,527	24,459	24,459
10	Job 13	Lei Yue Mun, Yau Tong	Private	ELS and pile cap construction	November 2016	January 2017	5,379	(362)	5,017	5,017
11	Job 14	Kau To Shan, Sha Tin District	Private	ELS and pile cap construction	March 2015	September 2016	101,407	24,899	126,306	126,306
12	Job 15	Yuen Long Industrial Estate, Yuen Long District	Private	ELS and pile cap construction	November 2015	June 2016	21,136	578	21,714	21,714
13	Job 16	Kau To Shan, Sha Tin District	Private	Roads and drainage and waterworks	March 2017	April 2018	2,574	2,544	5,118	5,118
14	Job 18	Proposed terminal facilities located at Tuen Mun	Private	Roads and drainage and waterworks	March 2017	October 2017	19,029	(2,872)	16,157	16,157
15	Job 19	Kau To Shan, Sha Tin District	Private	Building works	September 2017	March 2018	81,437	(59,503) (Note 8)	21,934	21,934
16	Job 22	Tsuen Wan West, Tsuen Wan District	Private	Roads and drainage and waterworks	April 2017	June 2017	714	(391)	323	323
17	Job 23	Po Fu Lam Road, Western District	Private	ELS and pile cap construction	October 2017	December 2017	13,227	(1,798)	11,429	11,429
18	Job 24	A public housing estate located at Wong Tai Sin District	Public	Roads and drainage and waterworks	March 2017	October 2017	839	157	996	996
19	Job 25	Hong Kong, Zhuhai, Macau Bridge, Tung Chung, the Islands District	Public	Roads and drainage and waterworks	September 2017	December 2017	24,649	911	25,560	25,560
20	Job 26	Chai Wan, Eastern District and Ma On Shan, Sha Tin District	Private	Roads and drainage and waterworks	September 2017	December 2017	877	(166)	711	711
									814,054	814,054

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Subsequent to the Track Record Period and up to the Latest Practicable Date, we completed the following projects:

No.	Code	Site location	Sector	Type of works	Commencement date (Note 1)	Completion date (Note 5)	Initial contract sum <i>HK\$'000</i>	Amount of variation orders (Note 6) <i>HK\$'000</i>	Final contract sum (Note 3) <i>HK\$'000</i>	Accumulative revenue recognised during the Track Record Period
										<i>HK\$'000</i>
1	Job 33	Kowloon City District	Private	ELS and pile cap construction	April 2018	July 2018	5,680	-	5,680	1,327
									<u>5,680</u>	<u>1,327</u>

*Notes:*

- The commencement date is based on the management's best estimates according to the commencement date specified in the contract (if any) or any date which was mutually agreed by us and the customer.
- The expected completion date for a particular project is provided based on the management's best estimates in accordance with the construction master programme, expected completion date specified in the contract and the extension of time granted and the actual progress.
- The total/final contract amount equals the initial contract sum and the amount derived from subsequent variation order(s) from the relevant project, if any, as agreed by us and the customer up to the Latest Practicable Date.
- Revenue expected to be recognised in subsequent financial periods after the Track Record Period represents the management's best estimate with reference to the (i) master programme of the project; (ii) turnover previously recognised; (iii) our estimate on the customer's progress of certification of our future works done. The estimated revenue also excludes value of variation orders which has not been agreed with or instructed by the customer. The estimated revenue in this column is thus inherently subject to great uncertainties.
- The completion date is based on the management's best estimates according to the completion date specified in the practical or substantial completion certificate (if any) or any date which was mutually agreed by us and the customer.
- We may be instructed or ordered by customers for variations, which may include alteration to materials, additions, substitution or omission of works, and hence the contract sum will be adjusted to effect the value of such variation. The amount of variation orders represents the agreed value of variation orders throughout the project.
- This project was early terminated. The amount of variation orders thus represents the difference between the initial contract sum and total revenue of the project. For details of the termination, please refer to the paragraph headed "Pricing strategy" in this section.
- The project was suspended as the developer decided to make substantial changes to the fitting-out design that the schedule of rates of the contract may not be applicable. When the project is resumed, it is expected that the relevant building works will be re-tendered. Final account has been agreed between the customer and our Group and the amount of variation orders represents the difference between the initial contract sum and total revenue of the project.



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### Our project backlog

As at 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 and the Latest Practicable Date, we had a total of 6, 5, 11, 13 and 16 projects in our backlog (representing projects awarded but not completed at the respective dates), respectively. Set out below is the table showing the number of our projects in backlog, completed and awarded and the corresponding aggregate awarded initial contract sum during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December						For the four months ended 30 April 2018		From 1 May 2018 to the Latest Practicable Date	
	2015		2016		2017		2018			
	Number of contracts attributed	Number of contracts HK\$'000	Number of contracts attributed	Number of contracts HK\$'000	Number of contracts attributed	Number of contracts HK\$'000	Number of contracts attributed	Number of contracts HK\$'000	Number of contracts attributed	Number of contracts HK\$'000
Opening aggregate awarded initial contract sum of backlog	-	-	6	367,652	5	415,160	11	605,262	13	590,846
	<i>(Note 3)</i>									
Aggregate awarded initial contract sum of new contracts awarded	9	742,210	6	380,726	14	474,160	4	69,595	4	179,331
Aggregate awarded initial contract sum of completed contracts	(3)	(374,558)	(7)	(333,218)	(8)	(284,058)	(2)	(84,011)	(1)	(5,680)
Closing awarded initial contract sum of backlog	<u>6</u>	<u>367,652</u>	<u>5</u>	<u>415,160</u>	<u>11</u>	<u>605,262</u>	<u>13</u>	<u>590,846</u>	<u>16</u>	<u>764,497</u>

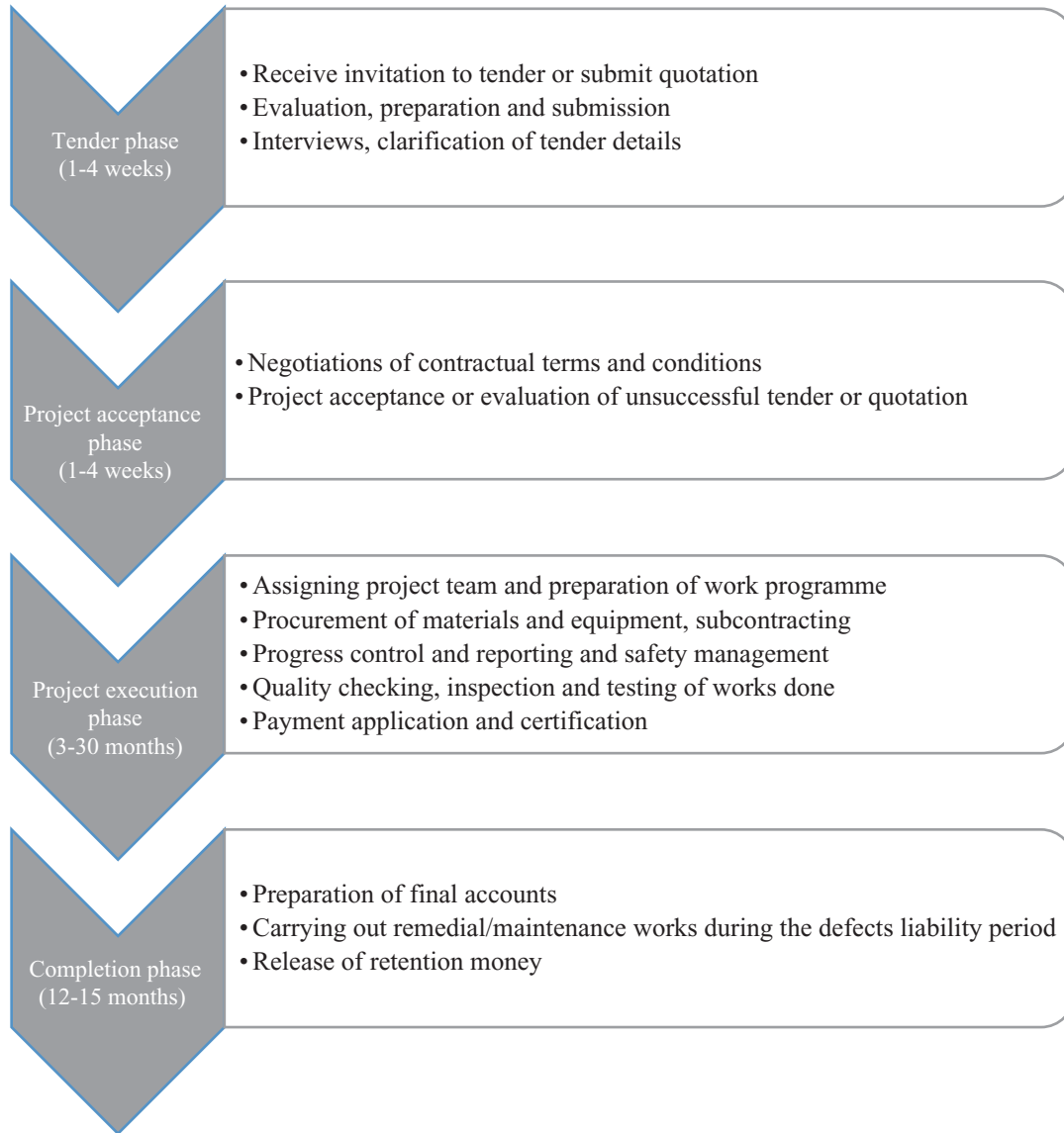
*Notes:*

1. Date of award of a contract refers to the date of letter of intent, letter or award or actual commencement date of construction activities, whichever is the earliest.
2. The completion date is based on the management's best estimates according to the completion date specified in the practical or substantial completion certificate (if any) or any date which was mutually agreed by us and the customer.
3. Our Group did not take any new projects in 2014 in light of the changes in Shareholders and management and it had nil contracts brought forward at the beginning of 2015.
4. Revenue recognised may be different from initial contract sum due to the amount of variation orders and progress of projects.



### OPERATION PROCESS

Set out below is the flow chart summarising the typical workflow of our construction projects:



*Note:* The time frame is illustrative only and actual time frame of a given project may vary significantly as it depends on various factors, such as negotiation process, the complexity of the project, the contract period as specified by the employer, the master construction programme required by the main contractor (in case we act as the subcontractor), weather condition, variation orders, etc.

### Invitation to tender or provide quotation, preparation and submission

As a general practice, in the cases where we are the subcontractor, we are invited by our customers, which are primarily the main contractors or other subcontractors of a civil engineering project, to submit a tender or provide a quotation.

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For projects we act as the main contractor, we submit tenders directly to relevant departments of the Government responsible for the projects.

### Pricing of our quotations

Riding on his extensive experience in quantity surveying and construction, Mr. Law, our executive Director, is directly in charge of and leads the tender team for the preparation of all our quotations and tenders. We review carefully every tender/quotation invitation, formulate tender strategy and ensure the competitiveness of our quotations or tenders. We may pay site visit to have a clear picture on the site environment and constraints.

For Governments' contracts which are typically re-measurement contracts, we examine the particulars of the tenders which include scope and design of work, the specified methods of measurements, and reckon any missing/incorrectly measured quantities of works. Based on our estimation of the final quantities and the respective measurement methods of the value of works, we then develop and insert the appropriate unit rates in the bill of quantities in the tender to be submitted. Further, the tender team will also examine any potential areas of prolongation and project specific high risk factors. Our unit rates may be adjusted with the assessed risk factors, the estimated final quantities, the purported competition and the specified measurement method.

Our tender price is based on our planned work programme and method statements, and from which we derive estimated project costs (including cost of preliminary items, direct labour costs, subcontracting charges, cost of construction materials, machinery and equipment) plus an appropriate profit margin. We may adjust the profit margin after taking into consideration (i) duration of the project; (ii) cost and availability of workers, subcontractors, construction materials, machinery and equipment; (iii) site constraints and location; (iv) our relationship with the main contractor or project consultants in the past; (v) our capacity; (vi) specific requirements of the project; (vii) complexity and scale of the project; and (viii) potential competition.

### Tenders submitted during the Track Record Period

During the Track Record Period and up to the Latest Practicable Date, 12 of our projects were obtained through the process of tendering while the remaining projects were secured by quotation invitation. The following table sets out the tender success rates during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April 2018	From 1 May 2018 up to the Latest Practicable Date
	2015	2016	2017	2018	
Number of tenders submitted	5	6	9	3	8
Number of successful tenders	–	2	5	2	3
Success rate (%)	–	33.3	55.6	66.7	37.5

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For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 and subsequent to the Track Record Period and up to the Latest Practicable Date, we were awarded 9, 4, 11, nil and nil projects, respectively, through quotation invitation.

### **Project acceptance**

#### *Negotiations of contractual terms and conditions*

After we submitted our tender or quotation to our customer, our customer or its consultant may issue tender enquiries to us requesting clarifications of certain details and arrange interviews with us. In the final round of screening and for projects which we act as the subcontractor, our customer and us often need to negotiate the terms and conditions with the aim to confirming the contract sum and concluding the final contract.

#### *Project acceptance and evaluation of unsuccessful tender or quotation*

Once our customer decides to engage us as the contractor, we are normally informed of the project acceptance by way of a letter of award or letter of intent.

If we are not successful for a particular bid, we will try to understand the reasons of losing the bid or why a competitor was awarded. Internal evaluation meetings are regularly convened to discuss such failed bids with an aim to identifying our weaknesses and suggesting methods for improving our tender strategies.

### **Project execution**

#### *Assigning project team and preparation of work programme*

According to different project and our role, we assign different project team members for executing and supervising the works. As a main contractor for Government projects, our project management team typically comprises project manager, site agent, quantity surveyor, superintendent, foreman and safety officer. As a subcontractor, we mainly assign foremen to supervise our execution of project works. The following are the main responsibilities of each key member of our project teams:

- *Project manager*

Our project manager is mainly responsible for preparing the master programme and supervising the work of other members of the project team, reviewing the progress, liaising with customer or the project consultant, suppliers and subcontractors. The project manager plays a key management supervisory role in keeping a project on track. Our project manager also provides guidance on dealing with technical and complicated issues, considers instructions from the customer and deals with progress certification issues. On an ongoing basis, our project manager reports directly to our executive Directors for the projects he oversees.

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– *Site agent*

Our site agent establishes the principal communication channel with the customer. He is also responsible for the effective and efficient site administration, planning and organising for customer inspections, coordinating the work of the subcontractors, and ensuring quality and safety standard of site operations.

– *Quantity surveyor*

Our quantity surveyor is responsible for inspecting the work progress on site, material arrival and preparing payment application for submission to our customer and certifying payment and work done from our suppliers and subcontractors.

– *Superintendent/Foreman*

Our superintendent and foreman are responsible to monitor the quality and workmanship of our project works to ensure compliance with contractual and regulatory compliance. He is also responsible for coordination works to facilitate construction works on site. Day-to-day supervision of site works is also required from superintendent and foreman.

– *Safety officer*

Our safety officer is responsible for supervising implementation of site safety measures and monitoring the work safety on site. Our safety officer also liaises with project consultant to organise safety walk or inspection to identify any hazardous operation and violations of safety rules.

### ***Procurement of materials and equipment, subcontracting***

Depending on the contract terms and specifications, we procure construction materials from suppliers directly. We source construction materials from our approved list of suppliers. When required, the raw construction materials or our completed work, such as concrete structure, are arranged for quality testing.

During the Track Record Period, we engaged subcontractors to carry out certain site works. We require our subcontractors to equip themselves with the necessary specific machinery. Our executive Directors together with quantity surveyors are responsible for the subcontracting.

### ***Progress control and reporting and safety management***

Our project manager provides progress report to our executive Directors. Our executive Directors may also visit the sites to supervise the progress. We hold regular progress meetings with our customers and their consultants throughout the project duration to report our work done and discuss overall project status. We also liaise and discuss with our foreman and/or subcontractors to arrange additional resources if we need to speed up our work to catch up with the master programme or avoid delay.

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We emphasise strongly on work safety and require all our site staff and subcontractors' workers to wear all necessary personal protection equipment, such as safety helmet, reflective vests and safety shoes before entering the site. We have our own safety policy that require all workers on site to comply with. For projects that we act as subcontractor, we strictly follow the safety policy implemented by the main contractor and our site foremen will also ensure our workers to comply with all safety provisions and issue warnings to those who offend.

### *Quality checking, inspection and testing of works done*

We have quality control measures in place for our construction materials and site works. Our objective is to avoid the need to remove completed but defective work and carry out remedial work. Our foremen check the quality of our works done before requesting inspection by our customers or its consultant. Before that, the foremen have had supervised and monitored the key construction steps and ensured that the workmanship and quality of materials comply with the specifications.

Tests may be required for certain construction materials and structures constructed, for example, tests on concrete and reinforcement or welded joints. We would arrange the tests to be done on site or in recognised laboratories when required.

### *Payment application and certification*

In general, our Group requires our customers to make progress payments to us on a monthly basis. Our Group submits monthly payment applications to the customers with reference to works done in the previous month, which may include delivery of construction materials as well. Payment applications are to be certified by our customers or their project consultants to agree with our value of works done and the payment amount should be measured in accordance with the method of measurements as stipulated in the contract. Our customers usually settle our bills, net of the agreed retention money within the period as agreed in the contract after certifying our payment applications.

We pay our subcontractors on a monthly basis based on our subcontractors' payment applications and our certification process.

### **Project completion**

When a project is completed, our senior management will hold a meeting to review the outcome of the project. The meetings usually cover the profitability of the project, performance of subcontractors, satisfaction of our customers, issues and difficulties encountered, and suggested improvement for future projects.

### *Preparation of final accounts*

Upon satisfactory completion of our project, a practical or substantial completion certificate is normally issued by the customer. For private project, once practical or substantial completion is reached, our Group is normally entitled to receive half of the

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retention money. We will also prepare the final account with the customers to set out the amount to be paid by the customers taking into account the value of total work done, amount previously paid, retention money, claims, etc.

### *Defects liability period*

Subject to the requirements of the contract, we may provide a defects liability period, normally up to 12 months from the practicable completion of the project, during which we are responsible for making good of any defects identified. For works that were completed by our subcontractors which are subject to making good, we will contact the subcontractor for the defects rectification. During the Track Record Period, we did not experience any material claim by our customers in respect of defective works, and we did not make provision for any repair and maintenance cost in respect of defective works during the defects liability period.

### *Release of retention money*

The release of the remaining of the retention money is normally due after the end of the defects liability period and the issuance of a maintenance certificate by the employer. Please refer to the paragraph headed “Principal terms of our contracts with customers – Retention monies” below in this section.

## CUSTOMERS, SALES AND MARKETING

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our turnover amounted to approximately HK\$236,679,000, HK\$359,441,000, HK\$397,349,000 and HK\$74,446,000, respectively.

Our target customers are primarily the different Government departments, construction contractors and developers in Hong Kong.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the percentage of our Group’s aggregate turnover attributable to our Group’s largest customer was approximately 57.9%, 42.0%, 45.6% and 30.6% for the corresponding periods, respectively, while the percentage of our Group’s total turnover attributable to our five largest customers in aggregate was approximately 100.0%, 96.2%, 93.7% and 90.8%, respectively.

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Set out below is a breakdown of our revenue by our top five customers during the Track Record Period, together with the customers' background information:

### For the year ended 31 December 2015

Rank	Customer	Year of first business relationship with our Group	Credit term	Revenue derived from the customer	
				HK\$'000	%
1	NCF	2015	14 to 45 days	137,139	57.9
2	Customer B	2015	45 days	57,212	24.2
3	C&H Engineering Company Limited ("C&H")	2015	45 days	21,280	9.0
4	Sunnic Engineering Limited ("Sunnic")	2015	30 days	19,119	8.1
5	Vicon Construction Company Limited ("Vicon")	2015	30 days	1,929	0.8
Top five customers combined				236,679	100.0
All other customers				-	-
Total revenue for the year				236,679	100.0

### For the year ended 31 December 2016

Rank	Customer	Year of first business relationship with our Group	Credit term	Revenue derived from the customer	
				HK\$'000	%
1	NCF	2015	14 to 45 days	150,814	42.0
2	Sunnic	2015	30 days	107,187	29.8
3	C&H	2015	45 days	41,174	11.5
4	Customer F	2016	14 days	26,495	7.4
5	Vicon	2015	30 days	19,786	5.5
Top five customers combined				345,456	96.2
All other customers				13,985	3.8
Total revenue for the year				359,441	100.0

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### For the year ended 31 December 2017

Rank	Customer	Year of first business relationship with our Group	Credit term	Revenue derived from the customer	
				HK\$'000	%
1	NCF	2015	14 to 45 days	181,270	45.6
2	CEDD	2016	4 weeks	65,194	16.4
3	Toko	2017	30 days	53,146	13.4
4	Chung Shun	2017	14 days	52,623	13.2
5	Customer J	2017	30 days	<u>20,387</u>	<u>5.1</u>
Top five customers combined				372,620	93.7
All other customers				<u>24,729</u>	<u>6.3</u>
Total revenue for the year				<u><u>397,349</u></u>	<u><u>100.0</u></u>

### For the four months ended 30 April 2018

Rank	Customer	Year of first business relationship with our Group	Credit term	Revenue derived from the customer	
				HK\$'000	%
1	Chung Shun	2017	14 days	22,770	30.6
2	CEDD	2016	4 weeks	17,699	23.8
3	Customer K	2017	30 days	11,491	15.4
4	Sunnic	2015	30 days	8,904	12.0
5	NCF	2015	14 to 45 days	<u>6,717</u>	<u>9.0</u>
Top five customers combined				67,581	90.8
All other customers				<u>6,865</u>	<u>9.2</u>
Total revenue for the period				<u><u>74,446</u></u>	<u><u>100.0</u></u>

*Note:* Revenue from major customer represents the combined revenue from the same customer group.

NCF is a contractor in Hong Kong primarily engages in foundation and general building works and is a subsidiary of New Concepts Holdings Limited (Stock Code: 2221), a company listed on the Main Board of the Stock Exchange. The consolidated revenue of the listed group amounted to approximately HK\$898 million for the year ended 31 March 2018.



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Customer B is a leading main contractor in Hong Kong which engages in building construction, civil and foundation engineering works. It also engages in infrastructure project investments, facade contracting business and infrastructure operation. The parent company of Customer B is listed on the Main Board of the Stock Exchange and its consolidated revenue was over HK\$50.2 billion for the year ended 31 December 2017.

C&H is a contractor which principally engages in site formation works with services include general earthworks, including soil and rock excavation, disposal of construction and demolition materials, backfilling and compaction, tunnel excavation works, foundation works, including ELS works as well as roads and drainage works. Its parent company, CHERISH Holdings Limited (Stock Code: 2113), is listed on the Main Board of the Stock Exchange and its consolidated revenue was approximately HK\$192.3 million for the year ended 31 March 2018.

Sunnic engages in the provision of foundation works to property developers, the loaning of labours and the rental of machinery in Hong Kong and Macau. Its parent company, CNQC International Holdings Limited (Stock Code: 1240), is listed on the Main Board of the Stock Exchange and its consolidated revenue was approximately HK\$10.3 billion for the year ended 31 December 2017.

Vicon engages in the design and construction of foundation projects. Its parent company, Vicon Holdings Limited (Stock Code: 3878), is listed on the Main Board of the Stock Exchange and its consolidated revenue was approximately HK\$381.3 million for the year ended 31 March 2018.

Customer F is a limited liability company incorporated in Hong Kong in 1998 and it engages in civil engineering and construction business.

Chung Shun principally engages in the provision of construction works, which include foundation works and ancillary services, and heavy duty machines business. Its parent company, LEAP Holdings Group Limited (Stock Code: 1499), is listed on the Main Board of the Stock Exchange and the consolidated revenue of the listed group was approximately HK\$298.6 million for the year ended 31 March 2018.

Toko is a limited liability company incorporated in Hong Kong in 2007 and it principally engages in civil engineering, including foundation and roads and drainage works. Toko is Group A (Probation) contractor on the Approved Contractors List under the Roads and Drainage category.

CEDD is a department of the Government that reports to the Development Bureau. The duties of CEDD include the detailed planning and construction of infrastructure in Hong Kong.

Customer J is a limited liability company incorporated in Hong Kong in 2017 and it engages in the provision of fitting-out services.

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Customer K is a limited liability company incorporated in Hong Kong and it engages in the provision of engineering and construction contract services in Hong Kong. Its parent company is a leading construction and civil engineering company. The consolidated revenue of the group was approximately HK\$6,799.5 million for the year ended 31 March 2018.

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

### **Customer concentration**

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the percentage of our revenue attributable to our five largest customers combined amounted to 100.0%, 96.2%, 93.7% and 90.8%, respectively. The percentage of our total revenue attributable to our largest customer amounted to approximately 57.9%, 42.0%, 45.6% and 30.6% for the corresponding period, respectively.

### ***Our relationship with NCF, the largest customer for each of the years during the Track Record Period***

We have business relationship with NCF since 2015. We mainly provided ELS works, construction of pile caps and site formation works for NCF. During the Track Record Period and up to the Latest Practicable Date, NCF subcontracted 11 projects with initial contract sum ranging from approximately HK\$560,000 to HK\$219.3 million to our Group, and we have completed or substantially completed seven projects as at the Latest Practicable Date, and the remaining four ELS and pile cap construction works projects were awarded to our Group for a sum of approximately HK\$55.0 million, HK\$20.3 million, HK\$2.0 million and HK\$116.1 million in December 2015, January 2018, May 2018 and August 2018, respectively and are in progress.

NCF is one of the leading foundation contractors in Hong Kong and its parent company is listed on the Main Board of the Stock Exchange. Two of the projects subcontracted by NCF to us were of substantial size, with initial contract sum of approximately HK\$118.0 million (Job 1 located at Sai Kung) and HK\$219.3 million (Job 6 located at So Kwun Wat). Job 1 and Job 6 commenced in February 2015 and May 2016, respectively. Our Directors consider that it is common in the construction industry that a single substantial project can contribute most or majority of revenue of a contractor on a particular financial year given that the management resources are tied up with the project and the contractor may not avail itself for new business before completing its existing project.

### ***Contractual relationship with NCF***

Similar to the general practice between our Group and other customers, we entered into a subcontract with NCF on a project-by-project basis. Our agreements with NCF generally contains material terms including (i) the specifications and conditions of the subcontract between NCF and our Group shall be on a back to back basis to the main contract; (ii)

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interim payments are made on monthly basis and NCF shall certify our payment application and settle payment within 14 to 45 days upon receipt of the corresponding payment from the employer after deducting all charges and deductibles; (iii) retention of 10% of the certified value subject to a maximum 5% of the contract sum of the subcontract should be withheld from the interim payment; (iv) we shall be responsible for all safety and environmental measures as required under the safety regulations, statutory requirements and the main contract; and (v) employees' compensation insurance and contractor's all risks and third party insurance are effected by the main contractor, but we shall be responsible for the excess and deductibles of any insurance claims under the insurance policy or as determined by the insurer.

Consistent with the arrangements between a main contractor and subcontractors, we have contra-charge arrangements with NCF, mainly referred to the purchase of permanent construction materials, such as concrete and reinforcement, by NCF on our behalf. Please refer to the paragraphs headed "Contra-charge arrangement with our customers" and "Suppliers" of this section for details of the contra-charge arrangements.

### *Sustainability of our business*

Our Directors consider that the substantial revenue contribution from NCF to us and our customers concentration during the Track Record Period is not extreme and will not affect our business prospects and sustainability of our business based on the following factors:

*We are able to undertake projects with different customers and to reduce the level of customer concentration*

We have been providing civil engineering services as a subcontractor and main contractor in Hong Kong for over 20 years. Our Directors believe that our established operating history with a wide range of project references allows us to consolidate our reputation and secure projects from different main contractors. Over the years, we served numerous customers with different background and sizes and we believe we have earned a good reputation in the civil engineering industry by exercising pragmatism and providing quality services. Our Directors consider that our competitive strengths enable us to continuously secure new projects and to have new customers. For details of our competitive strengths, please refer to the paragraph headed "Our competitive strengths" in this section. In addition, during the Track Record Period, other than NCF, we started business with other 14 new major customers.

For the four months ended 30 April 2018, proportion of NCF's revenue contribution to our Group fell to 9.0% and NCF was our fifth largest customer only over the period. In May 2018 and August 2018, we were awarded two ELS and pile cap construction subcontracts by NCF at a sum of approximately HK\$2.0 million and HK\$116.1 million, respectively. Projects on hand, other than those with NCF, had aggregate initial contract sum of approximately HK\$571.2 million as at the Latest Practicable Date, and HK\$269.7 million of which is expected revenue for the year ending 31 December 2018.

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*We will continue to diversify our customer base and our Directors believe that the extent of customer concentration is likely to decrease in the future*

We have undertaken projects from new customers from time to time during the Track Record Period and up to the Latest Practicable Date and we have no intention to limit ourselves to serve only NCF and our Group has established business relationship with 16 new customers, from whom we were awarded 26 contracts with aggregate initial contract sum amounted to approximately HK\$1,275.5 million.

We have continuous efforts and been successfully in identifying new customers. During the Track Record Period, we managed to secure project from one or more new major customers in each of the financial years and the four months ended 30 April 2018. In addition, our possession of a wide range of qualifications, including our registration on the Approved Contractors List in Group A (Probation) under the Waterworks category and Group B (Probation) under the Site Formation and Roads and Drainage categories, enables us to tender public works contracts as a main contractor. The tender limits for the Approved Contractors List were revised and effective from December 2016 such that the contracts of value are revised upward to be HK\$100 million from HK\$75 million for Group A, and HK\$300 million from HK\$185 million for Group B. Our Directors believe that the revision of tender limits will provide our Group with more opportunities to take on new public works contracts, including the opportunities for undertaking larger projects, or a larger number of smaller projects, which in turn will enable our Group to reduce the extent of customer concentration in the future.

Furthermore, since June 2017, we have been registered as a Registered General Building Contractor with the Buildings Department such that we are able to carry out building works in the private sector as a main contractor. We then actively pursued business opportunities of building works. We have been awarded two building works projects up to the Latest Practicable Date, one of the projects was awarded by a new customer. We were further awarded a foundation, ELS and pile cap works project as a main contractor in Yau Tsim Mong District for a proposed development by a property developer.

*We believe that we are capable of maintaining business growth*

According to the Ipsos Report, the gross output value of overall construction works performed at construction sites in Hong Kong increased from 2012 to 2017 at a CAGR of 9.6%. Ipsos forecasts that such value will continue to grow at a CAGR of 2.8% from 2018 to 2022. With the proceeds from the Share Offer after the Listing, we have plans to achieve sustainable business and further expand into building construction, including the acquisition of new machinery capable of undertaking building works, recruitment of project management staff and application for Confirmation status for our existing Group B (Probation) status on the Approved Contractors List. For our business strategies and future plans, please also refer to the paragraph headed “Our business strategies” in this section and the section headed “Future Plans and Use of Proceeds” of this prospectus. Accordingly, our Directors believe that opportunities are plentiful and our Group will be able to participate in new projects and develop our customer base in the long run.

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### **Pricing strategy**

For private sector projects where contracts are largely based on lump sum contract, our pricing approach is to estimate the total costs and add a mark-up margin in our quotation or tender.

Government projects are usually re-measurement contracts and the value of final works done is measured in accordance with the agreed methods of measurements and the bill of quantities. Our Directors have expertise and knowledge in commonly used standard methods of measurement for both civil engineering works and building elements which are used by the Government. We estimate the quantities of each items and the costs for completing these items and then appropriately allocate our costs for the items in the provided bill of quantities.

We consider that accurately estimating our project costs is critical to our project profitability. Price fluctuation arrangement is generally not available in private sector projects and contractors have to bear or mitigate such risks. Most of our contracts with customers do not contain a price adjustment clause. We have to bear any increase in price in labour and materials or factor in such movement in our tenders. For our contracts with Government departments that have long contract period, there is generally a contract price adjustment mechanism (both upward and downward adjustments) for adjustment to the contract sum in order to compensate for the risk of fluctuation in the costs of labour and materials. The adjustment in contract price is calculated based on the difference between the indices of cost of construction labour and materials at the time of tendering and the current values of these indices at the time of payment in accordance with a predetermined relative proportion for each cost index. For the purpose of the contract price adjustment mechanism, references are generally made to the certain consumer price indices compiled and published by the Census and Statistics Department of the Government.

During the Track Record Period, two of our completed projects, namely Job 15 located at Yuen Long Industrial Estate and Job 8 located at Hong Kong, Zhuhai, Macau Bridge, recorded overall gross loss of approximately HK\$982,000 and HK\$444,000, respectively. For Job 15, the loss was mainly due to the delay of the customer in obtaining consent from relevant authority for carrying out the work and hence extra resources being put in by our Group to catch up with the works programme. We were not compensated for the delay caused by the customer for Job 15. For Job 8, the project was early terminated. The loss for Job 8 was attributed to the settlement of fees to our subcontractor before we were entitled to receive our payment of work done for Job 8 from our customer in subsequent financial year. Having said the gross loss for Job 8, we recognised approximately HK\$2,796,000 other income for the year ended 31 December 2016, representing the amount agreed by the customer for our work at Job 8 before it was terminated. We had internal evaluation meeting for each completed project to discuss the overall performance of the project. Especially for loss making projects, our Directors will examine the main causes of the losses. In order to avoid and minimise future loss making projects or cost overruns, we have enhanced measures to monitor and control project costs. Our quantity surveyor is responsible to prepare a budget plan to be reviewed by our chief financial officer for each project with reference to the costs of materials, direct labour, machinery and subcontractors which should be submitted to our Directors. Our chief financial officer compares the actual incurred costs

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against the actual budget plan regularly to identify any material deviation. Any unexpected costs incurred or material discrepancies will be highlighted and drawn to our Directors' attention for considering follow-up actions and taking cost control measures. Our general manager and engineer will also watch closely the project works schedule in order to mobilise necessary resources, including machinery and subcontractors, to ensure the works are done in a timely manner. Based on the above, our Directors believe that our current internal control measures on cost control and monitoring of construction progress are adequate and effective.

### **Principal terms of our contracts with customers**

In general, our customers engage us on a project by project basis instead of entering into a long-term agreement with us. Set out below are the principal common contract terms with our major customers during the Track Record Period:

Contract period	:	The expected project commencement date and completion date or the expected duration of the project.
Type and scope of work	:	The scope of work and location of the project. During the Track Record Period, we mainly provided civil engineering works and building works.
Payment terms	:	The period for settlement of our work done or materials provided after we submit our payment application varies contract by contract. Depending on the terms and conditions of the contracts, in the private sector, the credit term is generally 14 to 45 days from the date of presenting invoice to our customer; while for Government projects, the credit term is generally 4 weeks.
Bills of quantities/ schedule of rates	:	Description of the type of work and the specification of the works together with the quantity and the unit price.
Method of measurement	:	For Government's remeasurement contracts, the standard method of measurement shall be adopted according to the type of works as the rules of measurement.
Variation orders/ contingencies	:	We may be instructed or ordered to carry out variations. The value of the variations is in general based on the valuation principles as stated in the contract.
Liquidated damage	:	The amount of liquidated damage payable by our Group per day if we fail to complete the agreed scope of work within the contract period as provided in the contract.
Retention monies	:	A portion of progress payment is usually withheld by the customer, at a rate of 1% to 10% but is subject to a cap of 5% of the contract sum.

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- Surety bonds : We may be required to take out a certain amount of surety bond issued by an accepted financial institution for due performance of the contract.
- Default : Our customer may be entitled to terminate the contract if there is default of contract by our part, such as if we fail to execute the contract work or fail to make good the defective work.
- Defects liability period : In line with industry practice, our customers often specify a defects liability period of up to 12 months after practical or substantial completion of our project. If any defect is found in our work, we are responsible for making good during the defects liability period.
- Insurance : In general, it is the obligation of the main contract of the construction project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed (including those employed by subcontractors) to work at the construction sites. Please refer to the paragraph headed “Insurance” in this section below for further details.
- Termination : Generally, our customers are entitled to terminate our contract under certain circumstances, such as bankruptcy of contractor, events of default, abandonment of the project, failure to remove defective materials or making good of defective works after being instructed by the customers.

For Government projects, the contractors may have their names removed from the Approved Contractors List maintained by the Development Bureau if the contractors fail or refuse to implement the accepted tender.



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During the Track Record Period, one of our projects, Job 8, located in Hong Kong, Zhuhai and Macau Bridge, experienced early termination. For Job 8, we commenced the project in June 2015. We were given work instructions in August 2015 to carry out variation works under the subcontractor entered between us and the customer, namely Customer B. The variations include the construction of temporary retaining wall structure for the tunnel shaft and a jacking slab. The completion date of the variation works was determined unilaterally by Customer B as November 2015 to suit the time of a visit of delegation as organised by Customer B. This completion date was not accepted by us as it was physically not possible to complete the works within the determined time frame. Notwithstanding our entitlement under the subcontract to complete the instructed works within a reasonable time period, we requested our subcontractor to allocate additional resources, including working overtime and during holidays. However, Customer B was apparently not satisfied with the progress, despite the urgency and complexity of new work instructions. We also requested compensation for the costs incurred in working overtime. In or around October 2015, a meeting was held at the head office of Customer B between our Group, our subcontractors and Customer B, regarding the progress of the project and we were requested to mobilise sufficient resources to accelerate and improve management. Our relationship with the project management team of Customer B in Job 8 was in tension. We anticipated that the time and cost related issues may develop into a dispute between us and Customer B. After meetings between our Group, our subcontractor and Customer B, the parties resolved that our subcontract with Customer B be terminated in a peaceful manner and subject to Customer B's subcontracting procedures, our subcontractor should replace us to become direct subcontractor of Customer B and carry out the remaining works of Job 8 at the rates agreed between our Group and Customer B. In December 2015, Customer B (i) accepted our request in writing for determination of the subcontract; (ii) reserved the right to cover additional expenditure incurred by Customer B; and (iii) our works executed shall be valued in accordance with the provisions under the subcontract. The initial contract sum of Job 8 was approximately HK\$353 million and total project revenue recognised by our Group for Job 8 was approximately HK\$57,212,000, while overall gross loss for Job 8 was approximately HK\$444,000 and our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Customer B has not made any claims against our Group regarding any additional expenditure incurred by Customer B. During the year ended 31 December 2016, Customer B approved value of our work before termination to be approximately HK\$2,796,000, which was accounted for as other income. In February 2018, Customer B has agreed to release the retention money in an amount of approximately HK\$718,000 due to our Group for



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Job 8. To the best knowledge of our Directors, our subcontractor was engaged by Customer B to replace our Group as its subcontractor to perform the remaining works of Job 8. As our Directors consider that (i) our Group and Customer B intended to handover the remaining works to the subcontractor in a peaceful manner; (ii) Customer B approved the value of the works completed by us before our subcontract was terminated; and (iii) Customer B has already released all the retention money to our Group for Job 8, our Directors do not consider any probable claim from Customer B arising from additional expenditure incurred in Job 8 and no provision has been made during the Track Record Period. Our Directors are of the view that the termination of Job 8 will not pose any material adverse effect on our results of operation and financial condition. Since the termination of Job 8, our Group has not yet been awarded further projects by Customer B nor we have any ongoing project subcontracted by Customer B. Nevertheless, our Directors believe that our business relationship with Customer B is not materially affected by this termination, given that after the termination, we have been invited by Customer B to provide quotations for several projects and we are open for future co-operation with Customer B.

### **Credit policy**

Before deciding whether to submit a tender proposal or quotation, we normally examine the customer's creditworthiness. Our major contracts with our customers specify the credit term, including the payment timing, retention money to be withheld and its release timing.

We usually grant our customers a credit period ranging from 14 to 45 days from the date of our customer certifying our works done or they receive the respective payment from their client. Our customers usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the total contract sum as retention money. Normally, half of the retention money will be released upon completion of our works and half of the retention money will be released upon the agreement of the final account between our customers and us.

We do not make any general provision for doubtful debts. Our Directors determine specific provision for doubtful debts on a case-by-case basis. When determining such specific provision, our Directors consider length of business relationship with the customer, the reputation of the customer, its financial strength and history of repayment. For details on our receivables turnover days, please refer to the section headed "Financial Information – Discussion of certain consolidated statements of financial position items" of this prospectus.

### **Sales and marketing**

During the Track Record Period, our business opportunities arose mainly from (i) public tender openings in Hong Kong, which are available to main contractors on the approved lists under the appropriate group and category as maintained by the Development Bureau; and (ii) invitations for quotation or tender from main contractors.

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Due to the above reasons, we currently do not maintain a sales and marketing team. Our executive Directors participate in the sales and marketing activities such as dinners hosted by other industry players. We contact our customers regularly to maintain a good relationship with them, to obtain market and industry information, and to seek business opportunities. We also rely on word-of-mouth by providing quality service in every one of our projects to attract referral or for retaining our customers in future projects. In addition, from time to time, we participate in the sales and marketing activities and social events hosted by other industry players to keep abreast of the latest market developments and industry information.

Our Directors believe that our past performance can support our reputation and hence our future business in the industry.

### **Seasonality**

Our Directors believe that the construction industry in Hong Kong does not exhibit any significant seasonality.

### **Contra-charge arrangement with our customers**

In the construction industry, it is common that a contractor may pay on behalf of its subcontractors for certain expenses in a construction project regarding the purchase of materials, usually permanent materials, or provision of labour or machinery. For certain common construction materials, the main contractor will normally purchase the materials for all subcontractors to ensure and control the material quality. Such expenses are typically deducted from the customer's payments to the subcontractors when agreeing the amount of the interim payments. This payment arrangement is commonly known as the "contra-charge arrangement" and the amounts involved are referred to as "contra-charge".

During the Track Record Period, we had contra-charge arrangements with some of our customers which our Directors confirm were conducted on normal commercial terms. Such contra-charge consisted of purchase cost of construction materials, rental cost of site equipment, utility cost and other miscellaneous expenses. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, 8, 9, 10 and 8 projects were under contra-charge arrangement, respectively. Pursuant to the contra-charge arrangements with our customers, upon request, our customers may purchase construction materials specified in the contract such as concrete and steel or as agreed and make payments on our behalf. Such purchase cost of construction materials or machinery rental cost is reimbursed by way of contra-charge to the project account with the customer. The major construction materials consumed by our Group under contra-charge arrangement are concrete and steel reinforcement. Effectively, the payments due to us from the customer will be settled after netting off such contra-charge amounts. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the contra-charge amounted to approximately HK\$78,247,000, HK\$142,244,000, HK\$45,586,000 and HK\$3,968,000, respectively, and such contra-charge attributable to our five major customers for each of the year in the Track Record Period amounted to approximately HK\$78,247,000, HK\$142,244,000, HK\$45,186,000 and HK\$2,448,000, representing 100.0%, 100.0%, 99.1% and 61.7% of the total contra-charge for the period, respectively. As we settled such costs by

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way of contra-charge by netting off with the payments due from our customers, both cash inflows from the project work done and cash outflows from the purchase of construction materials were reduced by the same amount. Therefore, the contra-charge arrangement had no material effect on our Group's cashflow position during the Track Record Period.

The following table sets forth the information on our major customers from which we had contra-charge arrangements during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April	
	2015		2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>NCF</b>								
Revenue derived and % of total revenue	137,139	57.9	150,814	42.0	181,270	45.6	6,717	9.0
Contra-charge amounts and % of total direct costs	42,696	19.7	57,583	17.7	17,757	5.2	190	0.3
Weighted average of gross profit margin (Note 1)		10.2		8.4		16.0		2.6
<b>Customer B</b>								
Revenue derived and % of total revenue	57,212	24.2	–	–	–	–	–	–
Contra-charge amounts and % of total direct costs	21,024	9.7	–	–	–	–	–	–
Weighted average of gross profit margin (Note 1)		(0.7)		–		–		–
		(Note 2)						
<b>C&amp;H</b>								
Revenue derived and % of total revenue	21,280	9.0	41,174	11.5	–	–	–	–
Contra-charge amounts and % of total direct costs	11,555	5.3	21,959	6.8	–	–	–	–
Weighted average of gross profit margin (Note 1)		21.0		15.0		–		–
<b>Sunnic</b>								
Revenue derived and % of total revenue	19,119	8.1	107,187	29.8	14,412	3.6	8,904	12.0
Contra-charge amounts and % of total direct costs	2,401	1.1	43,987	13.5	–	–	188	0.3
Weighted average of gross profit margin (Note 1)		9.2		10.8		12.5		10.5
<b>Vicon</b>								
Revenue derived and % of total revenue	1,929	0.8	19,786	5.5	–	–	–	–
Contra-charge amounts and % of total direct costs	572	0.3	4,418	1.4	–	–	–	–
Weighted average of gross profit margin (Note 1)		(15.8)		(3.4)		–		–
		(Note 2)		(Note 2)				
<b>Customer F</b>								
Revenue derived and % of total revenue	–	–	26,495	7.4	2,981	0.8	–	–

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	For the year ended 31 December						For the four months ended 30 April	
	2015		2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Contra-charge amounts and % of total direct costs	-	-	14,297	4.4	103	0.03	-	-
Weighted average of gross profit margin ( <i>Note 1</i> )		-		8.8		(9.1)		-
						( <i>Note 3</i> )		
<b>Chung Shun</b>								
Revenue derived and % of total revenue	-	-	-	-	52,623	13.2	22,770	30.6
Contra-charge amounts and % of total direct costs	-	-	-	-	2,862	0.8	1,816	2.7
Weighted average of gross profit margin ( <i>Note 1</i> )		-		-		11.3		7.0
<b>Toko</b>								
Revenue derived and % of total revenue	-	-	-	-	53,146	13.4	1,707	2.3
Contra-charge amounts and % of total direct costs	-	-	-	-	24,566	7.3	1,520	2.3
Weighted average of gross profit margin ( <i>Note 1</i> )		-		-		13.1		96.7
								( <i>Note 4</i> )
<b>Customer K</b>								
Revenue derived and % of total revenue	-	-	-	-	6,302	1.6	11,491	15.4
Contra-charge amounts and % of total direct costs	-	-	-	-	296	0.1	254	0.4
Weighted average of gross profit margin ( <i>Note 1</i> )		-		-		7.6		7.4

*Notes:*

1. Weighted average of gross profit margin equals to the simple average of project gross profit margin weighted by project revenue, which is equivalent to the sum of project gross profit dividend by the sum of project revenue.
2. During the Track Record Period, our Group recorded a gross loss project with each of Customer B and Vicon. For details of the gross loss, please refer to the paragraph headed "Pricing strategy" in this section.
3. For the three years ended 31 December 2017, we had two projects subcontracted by Customer F which were completed in 2016 and substantially completed in January 2017. The progress payment certificates of the projects were agreed between our Group and Customer F in late 2017 and the gross loss of the two projects for 2017 of approximately HK\$127,000 and HK\$146,000 was mainly due to the true up adjustment to reflect the difference between the actual work done as per interim payment certificates and final payment certificate by the customer, although the projects were overall profitable.
4. For the four months ended 30 April 2018, one project which was subcontracted by Toko was completed in December 2017. The final payment certificate of the project was agreed between our Group and our subcontractor in July 2018 and the high gross profit margin was mainly due to the true up adjustment to reflect the difference between the actual work done as per interim payment certificates and final payment certificate by the customer.

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### SUPPLIERS

Our suppliers primarily supply the following materials to us: concrete, steel, plastic pipes and metal pipes and metal wares. For projects where we act as the main contractor, we are responsible for the sourcing of construction materials. For projects where we are the subcontractor, unless the materials are provided by the main contractor, we are also responsible to supply the required construction materials. As we are provided with the standard requirements of the materials and we are liable for the quality of our project, unless specified or nominated suppliers are required, as the main contractor or subcontractor, we are able to choose our own suppliers for our projects.

We generally order the construction materials on a project-by-project basis and we did not enter into any long-term contracts with our suppliers. The price is determined by reference to a pre-agreed quotation subject to fluctuations and delivery date as agreed by the parties on an order-by-order basis.

As at the Latest Practicable Date, there were approximately 173 suppliers on our list of approved suppliers, which is reviewed and updated regularly. During the Track Record Period, our Group did not experience any material difficulties or delays in our project works caused by material shortage or delay in the supply of goods and services that we required. Our Directors consider that the possibility of a material shortage or delay is low given the materials we use are commonly used in construction projects in Hong Kong. Set out below is a breakdown of the number of suppliers by purchase category during the Track Record Period:

#### **Top five suppliers**

Cost of construction materials incurred for our largest supplier (excluding subcontracting charges) accounted for 19.7%, 19.9%, 17.1% and 2.7% of our total direct costs for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. Costs of construction materials incurred for our top five suppliers (excluding subcontracting charges) accounted for 36.1%, 46.2%, 26.4% and 10.5% of our total direct costs for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively.

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Set out below is a breakdown of our total purchases incurred (excluding subcontracting charges incurred) by our top five suppliers during the Track Record Period and their background information:

### For the year ended 31 December 2015

Rank	Supplier	Background of supplier	Type of purchases/ rental from the supplier	Year of first business relationship with our Group	Credit term	Purchases by us from the supplier and % of total direct costs	
						HK\$'000	%
1	NCF	Subsidiary of a company listed in Hong Kong that engages in foundation and general building works and supplying construction related materials	Steel, Concrete	2015	Contra-charge	42,696	19.7
2	Customer B	Subsidiary of a company listed in Hong Kong that engages in building construction, civil and foundation engineering works	Steel, Concrete	2015	Contra-charge	21,024	9.7
3	C&H	Subsidiary of a company listed in Hong Kong that engages in site formation and foundation works	Steel, Concrete	2015	Contra-charge	11,555	5.3
4	Sunnic	Subsidiary of a company listed in Hong Kong that engages in the provision of foundation works to property developers, the loaning of labors and the rental of machinery in Hong Kong and Macau	Steel, Concrete	2015	Contra-charge	2,401	1.1
5	Vicon	Subsidiary of a company listed in Hong Kong that engages in the design and construction of foundation projects	Steel, Concrete	2015	Contra-charge	572	0.3
Top five suppliers combined						<u>78,248</u>	<u>36.1</u>

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### For the year ended 31 December 2016

Rank	Supplier	Background of supplier	Type of purchases/ rental from the supplier	Year of first business relationship with our Group	Credit term	Purchases by us from the supplier and % of total direct costs	
						HK\$'000	%
1	NCF	Subsidiary of a company listed in Hong Kong that engages in foundation and general building works and supplying construction related materials	Steel, concrete	2015	30 days or contra-charge	64,815 (Note)	19.9
2	Sunnic	Subsidiary of a company listed in Hong Kong that engages in the provision of foundation works to property developers, the loaning of labors and the rental of machinery in Hong Kong and Macau	Steel, concrete	2015	Contra-charge	43,987	13.5
3	C&H	Subsidiary of a company listed in Hong Kong that engages in site formation and foundation works	Steel, concrete	2015	Contra-charge	21,959	6.8
4	Customer F	A limited liability company incorporated in Hong Kong that engages in civil engineering construction	Steel, concrete	2016	Contra-charge	14,297	4.4
5	Supplier A	A private company engages in manufacturing and wholesaling of mixed concrete	Concrete	2016	30 days	5,216	1.6
Top five suppliers combined						<u>150,274</u>	<u>46.2</u>

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### For the year ended 31 December 2017

Rank	Supplier	Background of supplier	Type of purchases/ rental from the supplier	Year of first business relationship with our Group	Credit term	Purchases by us from the supplier and % of total direct costs	
						HK\$'000	%
1	NCF	Subsidiary of a company listed in Hong Kong that engages in foundation and general building works and supplying construction related materials	Steel, concrete	2015	30 days or contra-charge	57,880 <i>(Note)</i>	17.1
2	Toko	A limited liability company incorporated in Hong Kong that engages in civil engineering, including foundation and roads and drainage works	Steel, concrete	2017	Contra-charge	25,104	7.4
3	Chung Shun	Subsidiary of a company listed in Hong Kong that engages in the provision of construction works, which include foundation works and ancillary services, and heavy duty machines business	Steel, concrete	2017	Contra-charge	2,862	0.8
4	Supplier D	A limited liability company incorporated in Hong Kong that engages in installation and supply of weighbridges	Weighbridge	2017	30 days	1,909	0.6
5	Supplier E	A sole proprietorship registered in Hong Kong that engages in distribution of diesel fuel	Diesel fuel	2017	30 days	1,526	0.5
Top five suppliers combined						89,281	26.4



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### For the four months ended 30 April 2018

Rank	Supplier	Background of supplier	Type of purchases/ rental from the supplier	Year of first business relationship with our Group	Credit term	Purchases by us from the supplier and % of total direct costs	
						HK\$'000	%
1	Chung Shun	Subsidiary of a company listed in Hong Kong that engages in the provision of construction works including foundation works and ancillary services, and heavy duty machines business	Steel, concrete	2017	Contra-charge	1,816	2.7
2	Supplier D	A limited liability company incorporated in Hong Kong that engages in installation and supply of weighbridges	Weighbridge	2017	30 days	1,621	2.4
3	Toko	A limited liability company incorporated in Hong Kong that engages in civil engineering, including foundation and roads and drainage works	Steel, concrete	2017	Contra-charge	1,520	2.3
4	Supplier F	Supplier F is a limited liability company incorporated in Macau. It principally engages in the provision of building construction, electrical and mechanical engineering and roads and drainage	Steel	2018	30 days	1,113	1.7
5	Supplier G	Supplier G is a limited liability company incorporated in Hong Kong since 2004, a joint venture owned by a company listed on Main Board of the Stock Exchange and a worldwide building material company. It principally engages in the provision of mixed concrete in Hong Kong	Concrete	2017	30 days	925	1.4
Top five suppliers combined						6,995	10.5

*Note:* The amounts included purchases of approximately HK\$7,232,000 and HK\$40,103,000 from a supplier, New Concepts Trading Limited, which is a fellow subsidiary of NCF for the year ended 31 December 2016 and 2017. Such supplier is a limited liability company incorporated in Hong Kong on 15 January 2016 and it engages in sales of construction materials.

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

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### SUBCONTRACTING ARRANGEMENTS

It is a common industry practice for construction contractors to subcontract part of their works to subcontractors. Subject to our capacity, resources level, cost effectiveness, complexity of the projects and customer's contract requirements, we usually subcontract ELS works, excavation, site formation and construction of concrete structures in a project, while our direct labour will be responsible for project supervision, site safety and general labour works.

Our subcontractors include local sole proprietors, limited liability companies as well as subsidiaries of listed companies. During the Track Record Period, all of our subcontractors were located in Hong Kong and all of their subcontracting fees were denominated in HK\$.

We are accountable to our customers for the works performed in a construction project, including the works performed by our subcontractors. Unless otherwise specified in the contracts, our customers generally consent to our use of subcontractors for a project and do not restrict which subcontractors to be engaged by us. Our subcontractors are liable for any damages or delay caused by their default.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, subcontracting charges incurred by our Group amounted to approximately HK\$134,906,000, HK\$147,344,000, HK\$202,386,000 and HK\$35,134,000, respectively. Please refer to the section headed "Financial Information – Factors affecting our results of operations and financial conditions" in this prospectus for the relevant sensitivity analysis.

#### **Major subcontractors**

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our Group's subcontracting charges incurred by the largest subcontractor represented 19.5%, 13.4%, 12.4% and 17.7% of our Group's total direct costs for the period, respectively, while subcontracting charges incurred by our Group's top five subcontractors represented 57.8%, 34.5%, 39.7% and 41.6% of our Group's total direct costs for the period, respectively.

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Set out below is the breakdown of our Group's total subcontracting charges incurred to our top five subcontractors and their background information:

### For the year ended 31 December 2015

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Year of first business relationship with our Group	Credit term	Subcontracting charges incurred and % of total direct costs	
						HK\$ '000	%
1	Subcontractor A	A limited liability company incorporated in Hong Kong which provides drainage and earthwork subcontracting services	ELS and pile cap construction	2015	50 days	42,268	19.5
2	Subcontractor B	A limited liability company that is a civil engineering contractor in Hong Kong which mainly engages in construction and maintenance works for civil engineering	Roads and drainage works	2015	7 days	34,647	16.0
3	Subcontractor C	A limited liability company that principally engages in piling and grouting works	Piling and grouting	2015	50 days	23,124	10.6
4	C&H	Subsidiary of a company listed in Hong Kong that engages in site formation and foundation works	ELS and pile cap works	2015	30 days	14,813	6.8
5	Subcontractor D	Subsidiary of a company listed in Hong Kong that engages in foundation works, and is a fellow subsidiary of Chung Shun	Site formation works	2015	14 days	10,698	4.9
Top five subcontractors combined						125,550	57.8

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### For the year ended 31 December 2016

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Year of first business relationship with our Group	Credit term	Subcontracting charges incurred and % of total direct costs	
						HK\$'000	%
1	C&H	Subsidiary of a company listed in Hong Kong that engages in site formation and foundation works	ELS and pile cap works	2015	30 days	43,635	13.4
2	Subcontractor C	A limited liability company that principally engages in piling and grouting works	Piling and grouting	2015	50 days	28,894	8.9
3	Subcontractor A	A limited liability company incorporated in Hong Kong which provides drainage and earthwork subcontracting services	ELS and pile cap construction	2015	50 days	23,087	7.1
4	Subcontractor E	A limited liability company incorporated in Hong Kong which provides bar bending and fixing services	Bar bending and fixing	2015	30 days	9,433	2.9
5	Subcontractor F	A limited liability company incorporated in Hong Kong that engages in ELS and construction of pile cap work	ELS and pile cap construction	2015	30 days	7,157	2.2
Top five subcontractors combined						112,206	34.5

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### For the year ended 31 December 2017

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Year of first business relationship with our Group	Credit term	Subcontracting charges incurred and % of total direct costs	
						HK\$'000	%
1	Subcontractor I	A group of limited liability companies in Hong Kong that engages in site formation, roads works and general civil engineering works	Site formation and roads and drainage works	2016	7 days	41,881	12.4
2	Subcontractor H	A limited liability company incorporated in Hong Kong which provides foundation works	Site formation, ELS and pile cap construction	2015	30 days	30,077	8.9
3	Subcontractor C	A limited liability company that principally engages in piling and grouting works	Piling and grouting	2015	50 days	24,978	7.4
4	Chung Shun	Subsidiary of a company listed in Hong Kong that engages in construction works which include foundation works and ancillary services, and is a fellow subsidiary of Subcontractor D	Construction works	2017	14 days	19,974	5.9
5	Subcontractor J	A limited liability company that principally engages in general building works	Building works	2017	30 days	17,181	5.1
Top five subcontractors combined						<u>134,091</u>	<u>39.7</u>

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**For the four months ended 30 April 2018**

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Year of first business relationship with our Group	Credit term	Subcontracting charges incurred and % of total direct costs	
						HK\$'000	%
1	Subcontractor I	A group of limited liability companies in Hong Kong that engages in site formation, roads works and general civil engineering works	Site formation and roads and drainage works	2016	7 days	11,827	17.7
2	Chung Shun	Subsidiary of a company listed in Hong Kong that engages in construction works which include foundation works and ancillary services	Construction works	2017	14 days	7,242	10.8
3	Subcontractor C	A limited liability company that principally engages in piling and grouting works	Piling and grouting	2015	50 days	4,239	6.3
4	Subcontractor B	A limited liability company that is a civil engineering contractor in Hong Kong which mainly engages in construction and maintenance works for civil engineering	Roads and drainage works	2015	7 days	2,958	4.4
5	Subcontractor K	A limited liability company in Hong Kong which mainly engages in reinforcement fixing works	Reinforcement fixing works	2017	30 days	1,625	2.4
Top five subcontractors combined						<u>27,891</u>	<u>41.6</u>

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

### **Basis of selecting subcontractors**

We maintain an internal list of approved subcontractors which we review and update on a periodical basis. We carefully evaluate the performance of our subcontractors and select subcontractors based on a range of factors such as their background, technical capability, equipment availability, experience, fee quotations, service quality, track records, labour resources, timeliness of delivery, reputation and safety performance. We review and update our internal list of subcontractors according to our assessment of their performance on a continuous basis.

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### **Major subcontractors which are also our major customers during the Track Record Period**

#### *NCF*

NCF has become our customer since 2015 and is one of our five largest customers for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018. NCF subcontracted seven projects each with an initial contract sum ranging from approximately HK\$560,000 to HK\$219.3 million to our Group during the Track Record Period, which have all been completed or substantially completed as at the Latest Practicable Date. In November 2015, January 2018, May 2018 and August 2018, NCF awarded four subcontracts of ELS and pile cap construction works to our Group for a sum of approximately HK\$55.0 million, HK\$20.3 million, HK\$2.0 million and HK\$116.1 million, respectively. For the project located at So Kwun Wat (Job 6), we were the principal subcontractor being awarded a material part of the foundation project while NCF remained as the main contractor and kept its project management and supervisory responsibilities.

It is our usual practice to divide a construction project into different trades and subcontract the trades to different subcontractors corresponding to their specialties and skills. For our site formation, ELS and foundation works project located at So Kwun Wat (Job 6) with an awarded value of approximately HK\$219.3 million, bored piling was designed as part of the foundation pursuant to the contract requirements. We consider that bored piling is a machinery intensive trade and we do not possess all the required heavy machinery such as an oscillator, reverse oscillation drilling rig and temporary steel casings. Our Directors further acknowledged that workmanship and experienced supervision are crucial for the construction of bored piles and were of the view that a reputable foundation contractor would be appropriate for carrying out the bored piling works. NCF's subcontract with us did not specify that we shall further subcontract the bored piling works back to NCF and we have the right to select our subcontractors when necessary. Taking into account (i) the quotations obtained from other independent bored piling subcontractors; (ii) NCF's reputation as a leading foundation contractor with solid job references in bored piling; (iii) good customer relationship between NCF and our Group; and (iv) as the main contractor, NCF is well informed of the project progress and is directly accountable for the timeliness and quality of the works, although NCF did not give the lowest quote, we decided to subcontract the above bored piling works to NCF, at a subcontract value of approximately HK\$20.3 million, representing 9.3% of the contract sum. It is our Group's practice to invite third party contractors to submit quotations with respect to the trade we would subcontract. We identify capable subcontractors and then approach them to inquire about their interest in the subcontracted works. Our Directors are of the view that it is not a general practice that after a main contractor subcontracts works to a subcontractor, the subcontractor then in turn sub-sublets a portion of the works back to the main contractor. However, under special circumstances, the subcontractor may re-engage the main contractor to perform portion of the works which require specialist license and/or resources not possessed by the subcontractor. In Job 6 and as mentioned above, the bored piling was the foundation scheme designed by the employer's engineer and under our subcontract with NCF, we had the right to sublet the bored piling works to any specialist foundation contractor. As part of our normal subcontracting arrangement, NCF and other foundation contractors were invited to provide a quote for the bored piling sub-subcontract work. The work was eventually

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awarded to NCF based on the abovementioned considerations. For Job 6, our Directors consider that it is a specific situation that NCF, though it is the main contractor, was capable of performing the trade (bored piling) that we intended to subcontract and NCF indicated its availability and interest to take up the work following our standard subcontracting procedure. The admission of NCF in our list of approved subcontractors went through our standard approval procedures, which included the assessment of its financial capability, comments from referrals and job references. Overall gross profit margin of Job 6 was 13.0%, which was slightly less than our gross profit margin for ELS and pile cap construction of 15.1% for the year ended 31 December 2017, primarily due to the relatively larger scale of higher contract sum for Job 6, our Group was willing to bid at a lower price but at a larger absolute amount of profit.

In addition to being a major customer and major subcontractor, a fellow subsidiary of NCF, New Concepts Trading Limited, also supplied us with construction materials for use in our projects. For details, please refer to the paragraph headed "Suppliers" in this section above.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, we recognised revenue of approximately HK\$137,139,000, HK\$150,814,000, HK\$181,270,000 and HK\$6,717,000 from NCF and subcontracting charges of approximately nil, HK\$5,827,000, HK\$3,448,000 and nil, respectively, to NCF. The subcontracting charges incurred for NCF related to Job 6 only. NCF had not been engaged as our subcontractor for other projects during the Track Record Period.

### ***C&H***

We started to have business relationship with C&H in 2015 when we subcontracted to C&H site formation, foundation and roads and drainage works services for a residential development project in Kau To Shan (Job 14). Later in 2015, C&H subcontracted the construction of pile caps, basement slab and associated works for a residential development project in Kowloon City District to our Group (Job 9). Moreover, in 2016, we subcontracted to C&H a site formation, footing pile cap and basement works for a project in Sha Tin District (Job 16), which is located at the same site of Job 14. For Job 14 and Job 16, we were the customer of C&H but C&H did not engage our Group as its subcontractor. For Job 9, C&H was our customer and we did not engage C&H as our subcontractor. The overall gross profit margin for Job 14 was 10.6%, which was approximately the same level as our gross profit margin for ELS and pile cap construction works for the years ended 31 December 2015 and 2016. The overall gross profit margin for Job 9 was 16.7%, which was higher than gross profit margin for ELS and pile cap construction works for the years ended 31 December 2015 and 2016. The higher gross profit margin was mainly due to lower subcontracting charges as compared with other ELS and pile cap construction projects, as the subcontractors would extract a layer of profit for the works they undertook. Job 16 was completed in May 2018.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, we recognised revenue of approximately HK\$21,280,000, HK\$41,174,000, nil and nil from C&H and subcontracting charges of approximately HK\$14,813,000, HK\$43,635,000, HK\$6,478,000 and nil, respectively, to C&H.



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Our Directors confirm, and as the Ipsos Report suggests, it is a common industry practice for subcontractors to further subcontract part of their works to other subcontractors. Although C&H and our Group may provide similar scope of services, depending on availability of our own resources, profitability, capacity, project specifications and requirements as well as complexity of the projects, we may subcontract part or most of our works to subcontractors which we consider to be capable of completing the works. Mr. Law has been acquainted with C&H long time ago when Ming Shing and C&H were both subcontractors of Customer B in a same construction project undertaking different works. In preparing the quotation for Job 14, which involved excavation and ELS works, to our customer, it came to Mr. Law's knowledge that C&H was a contractor specialising in, among others, earthworks, foundation works and roads and drainage works and had been working for similar development projects near the site of Job 14. Mr. Law was of the view that C&H had knowledge of the geological condition of Job 14, which was critical for accurately estimating the costs of excavation and construction of ELS for Job 14, which was an ELS and pile cap construction project. Ming Shing invited C&H to provide its quotation on the subcontracted services in order to ascertain our costs. After we were awarded Job 14, we decided to subcontract the relevant works to C&H. Our Directors consider that the working experience with C&H was satisfactory and that C&H in return invited our Group to provide quotations and engaged us in Job 9, it was appropriate to engage C&H in Job 16 as Job 16 located at the same site of Job 14. In both Job 14 and Job 16, Ming Shing was not the main contractor and in Job 9, C&H was not the main contractor. The subcontracting to C&H was made by optimising the use of our resources, skills and experience of C&H. According to the Ipsos Report, our Directors consider that this type of co-operation among subcontractors is not an uncommon industry practice. Despite the subcontracting arrangement with C&H, we remain accountable for the works performed in a project, including those carried out by our subcontractors.

### *Chung Shun*

We started to have business relationship with Chung Shun's fellow subsidiary, i.e. Subcontractor D since 2015. Chung Shun awarded a sub-subcontract to us for the site formation work at Tuen Mun (Job 20) in May 2017. Chung Shun's work at the project will mainly remain as hiring technical staff and project supervision staff while we were responsible for the site formation work under the subcontract entered into between Chung Shun and the main contractor. Chung Shun agreed that all progress payments received from the main contractor will be paid to our Group after deducting a pre-determined percentage as Chung Shun's profit margin. On the other hand, the costs incurred by Chung Shun in the project, such as staff costs of the technical and project supervision staff and Chung Shun's other subcontractors' costs, will be invoiced by Chung Shun to our Group and reimbursed by our Group. Accordingly, we recognised subcontracting charges to Chung Shun in Job 20.

Regarding the arrangement with Chung Shun, our Directors understand that Chung Shun has been a long term contractor for fill bank operations in Hong Kong working for different main contractors and fill banks. Our Group was engaged by Chung Shun mainly because of our possession of new vehicles and machinery meeting the requirements of environmental regulations which can also enhance efficiency such that Chung Shun is able to save the cost to upgrade its fleet of machinery and maintenance and repair costs for its own aged machinery and vehicles. In negotiating the subcontract with Chung Shun for Job

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20, our Directors understood that (i) the skilled and experienced staff of Chung Shun may not be willing to give up the rights entitled by the Employment Ordinance for their long service with Chung Shun and join our Group as the new employer for performing the site management and operation works; and (ii) Chung Shun intended to maintain employment relationship with its existing staff for the ongoing and other potential fill bank operation projects in Hong Kong. Chung Shun offered and our Group accepted that the abovementioned staff of Chung Shun will remain employed by Chung Shun for our subcontracted works in Job 20. Chung Shun will provide a total of 92 staff at most for the contract period and the staff are responsible for the engineering services and supervision, plant operation, supervision for filling operation, computer operation and general labour works. Our Directors believe that their skills and experience would facilitate our project works. Since the major cost of the staff of Chung Shun is their wages, which are due monthly regardless of works done, and also varied depending on the overtime works performed in that month, our Group agreed that these costs will be submitted in the form of monthly invoices by Chung Shun to our Group for reimbursement. None of our other projects during the Track Record Period and up to the Latest Practicable Date had staffing arrangement similar to that being adopted between our Group and Chung Shun. Other than the cost payable to Chung Shun, the Group had also incurred other subcontracting cost in Job 20.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, we recognised revenue of approximately nil, nil and HK\$52,623,000 and HK\$22,770,000 from Chung Shun and subcontracting charges of approximately nil, nil and HK\$19,974,000 and HK\$7,242,000, respectively, to Chung Shun.

The following table sets out the breakdown of the costs incurred by Chung Shun which were reimbursed by our Group during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April	
	2015		2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Labour costs	–	–	–	–	15,157	75.9	7,189	99.2
Plant and equipment rentals ( <i>Note</i> )	–	–	–	–	2,243	11.2	49	0.7
Subcontracting charges ( <i>Note</i> )	–	–	–	–	544	2.7	–	–
Other costs ( <i>Note</i> )	–	–	–	–	2,030	10.2	4	0.1
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>19,974</u>	<u>100.0</u>	<u>7,242</u>	<u>100.0</u>

*Note:* Plant and equipment rentals and subcontracting charges were incurred by Chung Shun for the project works. Other costs mainly included the purchase of materials and mechanical parts which Chung Shun opened account with the suppliers. All the charges were invoiced by Chung Shun and verified and approved by our Group.

In addition to the above, for the project at So Kwun Wat (Job 6), in June 2016, we subcontracted site formation, ELS and pile cap construction works to Subcontractor D for a total subcontract sum of approximately HK\$57.7 million. We were given to understand that relationship between the main contractor and Subcontractor D later turned hostile due to

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matter unrelated to us or Job 6 and to soothe our customers, in around March 2017, our Group reached an agreement with Subcontractor D to terminate the subcontract with Subcontractor D. The final value of works done of Subcontractor D was then agreed in July 2017 and final payment was made to Subcontractor D. Subcontractor D and our Group agreed that no claim of whatsoever nature against each other upon the remeasurement of work done by Subcontractor D is finalised. Total certified amount to Subcontractor D for the project at Job 6 was approximately HK\$12,955,000. The remaining work of Subcontractor D was undertaken by another subcontractor, namely Subcontractor H, at a subcontract sum of approximately HK\$46.1 million. Job 6 was substantially completed in December 2017 with an overall project gross profit margin of 13.1% and our Directors confirm the termination of subcontract with Subcontractor D had no material effect on our results of operation and financial condition.

Save as disclosed in this prospectus, none of our other customers had been engaged as our subcontractor during the Track Record Period.

The terms of the contracts or subcontracts entered into between our Group and the subcontractors which were also our customers were primarily similar to those entered into by us with the customers or subcontractors which were not our subcontractors or customers, respectively. Therefore, our Directors are of the view that the terms of the transactions with our customers which were also our subcontractors were conducted on normal commercial terms that are fair, reasonable and in the interest of our Company and the Shareholders as a whole.

### **Key terms of subcontracting engagement**

As our customers engage us on a project basis, we do not enter into any long-term contract with our subcontractors. We enter into a written agreement (generally with a term of engagement to be on a back-to-back basis to the contract with our customer) with our subcontractor setting out the general terms of subcontracting arrangement. The following summarise the common key terms of engagement with our subcontractors:

Scope of works and specifications	:	The scope and specifications of the works as we subcontract to our subcontractor.
Subcontracting fee	:	The amount of fee to be payable by our Group to the subcontractor for completing the scope of works in the subcontract.
Payment terms	:	In general, payment is settled once a month according to the value of works performed in the previous month.

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- Defects liability period and retention money : A defects liability period is generally provided, if applicable, by the subcontractor after completion of its works during the period the subcontractor is required to make good of any defects identified. Depending on the subcontract works and negotiation with subcontractors, we may also withhold a retention of 1 to 10% from each interim payment, subject to a maximum of 5% of the subcontract sum. The release of the retention money to our subcontractors will be subject to our receipt of the corresponding payment from our customer.
- Safety : Our subcontractors shall be responsible for all safety measures as required by us, the main contractor and statutory requirements.
- Due compliance : Our subcontractors shall fully assume and to ensure due compliance of all the obligations and duties expressly stated or implied in the main contract, laws and regulations and on behalf of the main contractor.
- Insurance : Employees' compensation insurance, contractor's all risks and third party insurance are provided by the main contractor.

### **Control over subcontractors**

In order to closely monitor the performance of our subcontractors and to ensure that the subcontractors comply with the contractual requirements and the relevant laws and regulations, we require our subcontractors to follow our internal control measures in relation to quality assurance, safety and environmental compliance. During the course of the project, our project team regularly convene meetings with our subcontractors and closely monitors their work progress and performance as well as their compliance with on-site safety environmental protection measures and our quality standards. For further information about our measures in relation to quality assurance, safety and environmental protection, please refer to the paragraphs headed "Quality assurance", "Occupational health and safety" and "Environmental protection" in this section.

During the Track Record Period and up to the Latest Practicable Date, there were no material disputes between our Group and our customers regarding the quality of work performed by us and our subcontractors.

### **INVENTORY**

Our Group does not maintain inventories during the Track Record Period as our construction materials are purchased and consumed on a project-by-project basis.

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### MACHINERY

We rely on the use of different types of machinery for our projects. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, we acquired new site equipment in the amount of approximately HK\$705,000, HK\$7,878,000, HK\$29,968,000 and HK\$2,489,000, respectively. As at 30 April 2018, our machinery and motor vehicles carried a net book value of approximately HK\$29,380,000. The following are major types of machinery and motor vehicles used by our Group:

**(i) Excavator**

An excavator is a heavy construction equipment consisting of a boom, arm, bucket and cab on an upperstructure which could rotate. The upperstructure sits atop an undercarriage with tracks or wheels.

**(ii) Crawler crane**

A crawler crane is a crane mounted on an undercarriage with a set of tracks (also called crawlers).

**(iii) Hydraulic rock breaker**

A breaker is a powerful percussion hammer fitted to an excavator for demolition, construction and quarrying. It is powered by an auxiliary hydraulic system from the excavator which is fitted with a foot-operated valve for this purpose.

**(iv) Dumping lorry**

A dumping lorry is a large motor vehicle designed to carry heavy loads, such as sand or construction wastes/materials.

**(v) Works vehicle equipped with flashing yellow light**

The works vehicle is equipped with warning lanterns and signing to provide early warning to other motorists that mobile operations on expressway are ahead.

**(vi) Flatbed trailer**

A flatbed trailer has a flat platform for easy loading and unloading of heavy machinery such as an excavator.

**(vii) Bulldozer**

A bulldozer is a crawler equipped with a large front blade used to push earth materials such as soil, sand or rubble.

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**(viii) Air compressor**

An air compressor is a device that forces air into a chamber and compresses the air to provide high-pressure air to power pneumatic tools, such as jackhammers.

**(ix) Diesel generator**

A diesel generator in a construction site provides power for different tools and machinery.

**(x) Truck mounted concrete pump**

A concrete pump attached to a truck used for transferring liquid concrete for pumping through a boom to a height or farther place where it is needed.

**(xi) Crane lorry**

Lorry equipped with a crane for grabbing or lifting goods or materials on site and for transportation.

The following table sets out the number of units, expected useful life, average age and average remaining useful life of our major types of site equipment as at 30 April 2018:

	<b>Number of units</b>	<b>Expected useful life (Years)</b>	<b>Average age (Years)</b>	<b>Average remaining useful life (Years)</b>
Dumping lorry	16	3.3	1.0	2.3
Dumping lorry with grab	2	3.3	0.9	2.4
Air compressor	4	5	1.3	3.7
Bulldozer	3	5	0.9	4.1
Flatbed trailer	1	3.3	1.1	2.2
Diesel generator	3	5	0.9	4.1
Road sweeper	4	3.3	0.8	2.5
Excavator	8	5	0.6	4.4
Crane lorry	1	3.3	1.1	2.2
Crawler crane	1	5	1.4	3.6
Hydraulic rock breaker	1	5	0.8	4.2
Other machinery	4	5	0.6	4.4
Other lorry and vehicles	3	3.3	0.8	2.5

We adopt a straight-line depreciation policy on our machinery. For details of relevant accounting policies and estimates, please refer to Note 1 of the Accountants' Report set out in Appendix I to this prospectus.

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In general, our Directors consider that the optimal life of our machinery during which it operates most efficiently is approximately the first three to five years after it comes into operation. After such period, the efficiency of our machinery generally starts to deteriorate and the cost of maintenance gradually increases. We engage third party service providers to repair and maintain our machinery. For the years end 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our expenses in repairing and maintaining our machinery for approximately HK\$9,000, HK\$4,000, HK\$2,410,000 and HK\$1,574,000, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material work interruption due to malfunction of our machinery.

As at the Latest Practicable Date, our Directors consider that our existing machinery and motor vehicles were in good condition. We do not have a pre-determined or regular replacement cycle for our machinery and motor vehicles and replacement decisions are made on a case-by-case basis having regard to the operating condition of the individual units of machinery and motor vehicles.

### **Financing arrangements for the purchase of plant and equipment**

During the Track Record Period, our Group purchased certain machinery from suppliers through finance lease arrangements with financial institutions. Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the machinery to our Group as the lessee, the relevant machinery was accounted for as our Group's assets under the category of plant and equipment.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the effective interest rates was approximately 4.3%, 4.3%, ranged from 3.1% to 3.8% and ranged from 3.1% to 3.8% per annum for our finance leases, respectively. Our Group had plant and equipment under finance leases with net book value of approximately HK\$12,502,000 as at 30 April 2018.

### **Service capacity and utility rate**

Due to the nature of our business and operations, it is not feasible and not practicable to quantify and disclose detailed service capacity and utilisation rate of the machinery for the following reasons:

- (i) different projects require different types of machinery depending on their scope of work and it is therefore not feasible and meaningful to quantify the capacity of each piece of machinery by making reference to an objective and comparable scale or standard of measurement;
- (ii) a typical civil engineering project requires the use of different machinery at different stages, and machinery from time to time is left unused in active construction sites pending completion of other stages;

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- (iii) in addition to our own machinery, we also lease machinery to and from independent third parties, which cannot be taken into account in the typical calculation method of utilisation rate; and
- (iv) we subcontract parts of our works to subcontractors, some of which had their own fleet of machinery for performing the subcontracted works. It is impracticable to keep track of the subcontractors' machinery usage. If any of our machinery are idle, the same type of machinery owned by our subcontractors may be in use in our projects. Therefore, the calculation of utilisation rate may be misleading regarding the construction activities of our projects.

In view of the above, it would be difficult and impracticable to define appropriate and accurate utilisation rate of machinery in general and to make a full account of the daily/hourly usage of each individual machinery. Nevertheless, for our owned machinery, our Directors use their best endeavours to minimise idling time and loss time due to repair and maintenance by leasing out and proper scheduling of works to avoid over usage.

### **Lease of machinery**

#### ***Our Group as lessor***

Our machinery and motor vehicles are usually mobilised among the construction sites of our projects. Occasionally, our machinery and motor vehicles are leased to other independent third party contractors. During the Track Record Period, we leased our machinery and motor vehicles to our customers if the machinery and/or motor vehicles were not required for other projects during the relevant period. Prior to entering into any leasing arrangements, we will evaluate whether such arrangement would impede our Group's ability to complete the ongoing projects and to compete for any potential projects in future. Our motor vehicle leasing activities are conducted only for increasing utilisation of idling resources. Our rental charges are determined by duration and rate of usage. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our Group derived rental income of approximately nil, HK\$111,000, HK\$9,530,000 and HK\$3,296,000, respectively. Our Directors have always considered ways to maximise the utilisation of our motor vehicles and expand our source of income without interruption of our operations. We have derived rental income from the rental of dumping lorries to independent third parties at night after our normal business hours at day time. We also leased idling machinery such as air compressors, flatbed trailer and crawler crane when our projects did not utilise them. Our Directors will continue to lease our plant and machinery and motor vehicles to independent third parties on the basis that the rental would not have a detrimental effect on or delay our project works. New machinery are mainly used for the expansion in building construction sector while some types of new machinery may also help our Group undertake more civil engineering projects.

#### ***Our Group as lessee***

From time to time, we may lease machinery and equipment from other independent third parties to provide us with flexibility to supplement our fleet of machinery. During the Track Record Period, machinery we rented from independent third parties include crawler



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cranes, truck-mounted concrete pump, crane lorries, air compressors and excavators. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, we incurred machinery leasing expenses of approximately HK\$755,000, HK\$3,119,000, HK\$2,533,000 and HK\$643,000, respectively. With the possession of our own machinery and motor vehicles, our Directors consider that we can reduce the reliance on our suppliers for machinery and motor vehicle rental services and expect that the benefits of reducing rental expenses would outweigh the depreciation and maintenance expenses of self-owned machinery and equipment.

### **Possible impact of NRMM Regulation and the Technical Circular**

With the implementation of the NRMM Regulation and the Technical Circular, our Group has obtained approval or exemption for the regulated machines in accordance with the relevant requirements. As at the Latest Practicable Date, our Group has obtained approval or exemption for 19 Regulated Machines in accordance with the relevant requirement. 16 of them were approved NRMMs and the remaining were exempted NRMMs. Our other machinery and equipment did not fall within the Regulated Machines requirement and therefore were not subject to the NRMM Regulation.

Pursuant to the Technical Circular, there is an implementation plan to phase out the use of four types of exempted NRMMs, namely generators, air compressors, excavators and crawler cranes. For the Regulated Machines that are exempted from the NRMM Regulation, our Directors are of the view that our Group has sufficient approved NRMMs to be used in projects with estimated contract value exceeding HK\$200 million, subject to the phase out plan of the Technical Circular. Our Directors consider that the impact of the NRMM Regulation and the phase out plan of exempted NRMMs is not material to our Group's business operations. For details of the NRMM Regulation and the Technical Circular and the potential risks associated, please refer to the section headed "Regulatory Overview – Laws and regulations relation to environmental protection" of this prospectus.

To the best knowledge of our Directors and upon their reasonable enquiry, in general, it is not expected that there will be any material price difference in respect of the costs of the NRMMs with similar specifications, or different emission standards, whether approved or exempted, despite the launch of the NRMM Regulation. It is our intention to acquire only the approved NRMMs for our future plans as discussed in the section headed "Future Plans and Use of Proceeds" of this prospectus.

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### AWARDS AND ACCREDITATION

We have received a number of awards or certificates during our operating history in recognition of our commitment and dedication in safety management and quality assurance. The table below sets out our major awards or certificates obtained by our Group:

<b>Year of grant</b>	<b>Description</b>	<b>Awarding organisation/ institution</b>
2000	Construction Industry Good Site Management Award Scheme – Civil Engineering Construction Sites – Subcontractor Gold Prize (建造業良好工地管理計劃-土木工程建造地盤-次承判商組別金獎)	Labour Department
2004	Zero Accident Award (Year 2004)	Customer B
2007	Best Safety Score Subcontractor – Working at Height in February 2007	Customer B
2008	Certificate of Achievement in Recognition of Outstanding Performance in Quality Control	Customer B
2010	2010 Monthly Quality Activity – Best Quality Performance Subcontractor	Customer B
2010	Certificate of Achievement – Safety Contribution Award	Customer B
2015	Safety Model Sub-contractor of the Month (June, September and October 2015)	NCF
2016	Safety Model Sub-contractor of the Month (Second Quarter 2016)	NCF
2018	High Construction Safety Standard and Zero Reportable Accident Record (June 2017 to November 2017)	CEDD

### **QUALITY ASSURANCE**

To maintain consistent quality services provided to our customers, we have established formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2008. We have in-house quality assurance requirements specifying work procedures for performing specific construction work items, responsibilities of personnel of different levels, quality inspection procedures and standards, material storage, housekeeping, subcontracting procedures and accident reporting. Compliance of these quality assurance requirements is mandatory for our staff, workers and subcontractors.

Mr. Law Fu Kwok and Mr. Leung Chi Hung, our general manager and site engineer, are responsible for overseeing quality issues of our works, materials and workmanship of subcontractors. We believe that quality assurance is the key to customer relationship management and we have regular meetings with our customers to understand our performance in quality. For information and details of the qualification and experience of Mr. Law Fu Kwok and Mr. Leung Chi Hung, please refer to the section headed “Directors, Senior Management and Employees” of this prospectus.

### **Quality control on our services**

We are liable for the works carried out by our direct labour and subcontractors. We ensure that our projects are completed with respect to the standard and specifications stated in the contract with our customers.

Our general manager and site engineer are responsible for supervising the day-to-day activities including those executed by our subcontractors in accordance with the master programme and contract requirements. They will timely inform our executive Directors on the project status and matters of concerns.

During the Track Record Period and up to the Latest Practicable Date, there were no material disputes between our Group and our customers in respect the quality of work performed by us and our subcontractors save for typical defects which can be rectified or made good within a reasonable time.

### **Quality control on our construction materials**

We normally select our own suppliers for sourcing construction materials. We purchase construction materials only from reliable and reputable suppliers. In projects which we act as the subcontractor, permanent materials such as concrete and steel reinforcement are purchased by the main contractor on our behalf via contra-charge arrangement. We are responsible for managing and ensuring the quality of all these construction materials. We have procedures in place to inspect the construction materials delivered to site to ensure they are up to the required quality. For major materials such as concrete and steel reinforcement, (i) we record the arrival time of concrete to ensure the concrete is used before it is hardened and take concrete samples for gauging the quality of concrete; and (ii) we examine the source and mill certificates of the steel. We also obtain shop drawings and specifications of other major construction materials to ensure they properly conform to the

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specifications and standards and facilitate the approval of the customers before they are ordered or put into use. Quality testings as required by the contract or the law are carried out to ensure they meet the quality or strength requirements.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has not received any material complaint or claim for compensation from our customers due to quality issue in relation to materials supplied by our Group.

### OCCUPATIONAL HEALTH AND SAFETY

#### Occupational health and work safety measures

We place strong emphasis on occupational health and work safety during the delivery of our services not only to uphold our value on corporate social responsibility and maintain our reputation, but also not to put our employees, subcontractors and other people working in the construction site as well as the general public in situation that threatens their health and safety. We have adopted an occupational health and safety system as required by relevant occupational health and safety related laws, rules and regulations and managed by our safety officers. Due to the inherent nature of works in construction sites which very often involves working at height and usage of mechanical equipment and machinery, construction workers are constantly subjected to risks of accidents or injuries. To mitigate such risks, we have established safety plans and in-house rules to provide our employees and our subcontractors' employees with a safe and healthy working environment.

Specific provisions for dealing with the potential hazard and danger which our workers are required to follow are highlighted in the table below:

<b>Potential hazard and danger</b>	<b>Safety provisions</b>
Heavy lifting by machinery	<ul style="list-style-type: none"><li>- All lifting gears and appliances are inspected by competent persons regularly to detect potential hazards and check for any wear and tear</li><li>- Only qualified riggers or crane operators are allowed to carry out lifting operation, and their qualifications are verified</li><li>- No one is allowed to stay underneath the load during lifting operation</li></ul>

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<b>Potential hazard and danger</b>	<b>Safety provisions</b>
Load shifting	<ul style="list-style-type: none"><li>- Excavators, bulldozers and other load shifting are inspected, thoroughly examined and tested periodically in accordance with the statutory requirements, with attention to tyres, tracks and working tools and protection structures</li> <li>- Bearing capacity of the surface, gradient of the slope and inclined surface are assessed before the machine can be safely put into operation</li> <li>- Only qualified operators are allowed to operate the load shifting machines, and their qualifications are verified</li></ul>
Plant movement	<ul style="list-style-type: none"><li>- Anti-collision bars shall be fixed at the rear side of plant where appropriate; sufficient clearance for plant rotation must be kept</li> <li>- Qualified signallers are deployed to supervise the work</li></ul>
Working at height	<ul style="list-style-type: none"><li>- Safe working platform with guard-rails and toe boards must be installed and inspected by competent personnel regularly</li> <li>- Safety harness must be worn properly and attached to rigid anchorage points</li></ul>

### **System of recording and handling accidents and our safety compliance record**

The Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulation (Chapter 59Z of the Laws of Hong Kong) (“**FIUR**”) provides the regulatory requirements of the number of safety officers, safety supervisors in the construction sites and qualifications of the safety officer.

Under Regulation 14 and the Fourth Schedule of the FIUR, a main contractor or a specialist contractor shall employ one registered safety officer when the total number of persons employed by him in the construction sites is 100 or more.

Under Regulation 16 and the Fourth Schedule of the FIUR, a main contractor or a specialist contractor shall employ one safety supervisor in each construction site when the total number of persons employed by it is 20 or more.

As of the Latest Practicable Date, we have two registered safety officers who are responsible for overseeing and implementation of our safe management system. Our Directors confirm that we have complied with the regulatory requirements for the number of safety officers and safety supervisors during the Track Record Period.

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If an accident occurs, the injured worker (including our employees and our subcontractor’s employees) or the person who witnessed the accident is required to report the case to our site staff or safety officer. Our safety officers will then investigate the accident by taking photos in respect of the accident scene, examine the equipment or material involved and take statements from the injured worker, witness of the accident and other relevant personnel. A report will also be made to the main contractor and the insurance company as appropriate. If the accident is a “reportable accident”, i.e. workplace accidents that are required to be reported to the Labour Department, as assessed by our safety officer, he will prepare an accident report and submit it to our site agent for review and then submit it to the main contractor of the project and the Labour Department within the period as specified under the relevant laws and regulations. For any accident that results in total or partial incapacity of an employee, the accident should be reported to the Labour Department in writing within 14 days after the date of the accident. For accidents that involve death or fatal injury to an employee, the accident has to be notified to the Labour Department within seven days after the accident.

Remedial actions will be taken by our project team to remove imminent danger and to prevent similar accidents from occurring again. Our safety officers will carry out follow-up inspection to ensure that remedial works are implemented.

We also maintain an internal record of all accidents. During the Track Record Period and up to the Latest Practicable Date, we recorded the following accidents:

No.	Date of the accident	Details of the accident and nature of injuries ( <i>Note 1</i> )	Last date to commence an employees’ compensation claim ( <i>Note 2</i> )	Last date to commence a personal injury claim ( <i>Note 3</i> )
1	29 October 2015	An employee of our subcontractor sustained a contusion injury to his finger whilst lifting item in the course of work	N/A; claim was made and settled on 5 October 2016 without litigation	28 October 2018
2	8 December 2015	An employee of our subcontractor fell from height in the course of work	7 December 2017 (expired)	7 December 2018
3	24 November 2017	Our employee sustained a contusion injury to his finger by a dropped item in the course of work	23 November 2019	23 November 2020

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*Notes:*

1. Our Directors take the view that the potential amount to be borne by our Group in the incidents shall be covered by the relevant insurance policies as the incidents have been duly reported to the main contractor and our Group's entire conduct of defence against such claims, if any, in the future will be taken up by the relevant insurers.
2. The time limit for a plaintiff to commence legal proceedings for an employees' compensation claim is two years from the date of the relevant incident.
3. The time limit for a personal injury claim against us under common law is three years from the date of the relevant incident.

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

	<b>Construction industry in Hong Kong (Note 1)</b>	<b>Our Group (Note 2)</b>
<b>From 1 January to 31 December 2015</b>		
Industrial accident rate per 1,000 workers in construction industry	39.1	39.0
Industrial fatality rate per 1,000 workers in construction industry	0.200	–
<b>From 1 January to 31 December 2016</b>		
Industrial accident rate per 1,000 workers in construction industry	34.5	–
Industrial fatality rate per 1,000 workers in construction industry	0.093	–
<b>From 1 January 2017 to 31 December 2017</b>		
Industrial accident rate per 1,000 workers in construction industry	32.9	15.8
Industrial fatality rate per 1,000 workers in construction industry	0.185	–
<b>From 1 January 2018 to 30 April 2018</b>		
Industrial accident rate per 1,000 workers in construction industry	N/A	–
Industrial fatality rate per 1,000 workers in construction industry	N/A	–

*Notes:*

1. The statistics are obtained from the Occupational Safety and Health Statistics Bulletin Issue No. 18 (August 2018) published by Occupational Safety and Health Branch of the Labour Department, which is the latest issue as at the Latest Practicable Date.
2. Our Group's accident rate is calculated as the occurrence of accident during the financial year divided by the average construction site workers in the construction sites during the financial year and multiply the result by 1,000. The average construction site workers include employees of our Group and its subcontractors.

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Our Group had recorded two, nil, one and nil reportable accidents for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. The accident and fatality rate at our construction sites was lower than the construction industry average in Hong Kong for the years end 31 December 2015 and 2016. The accident and fatality rate of the construction industry average in Hong Kong for 2017 were not yet available as at the Latest Practicable Date.

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

For the year ended 31 December 2015	14.4
For the year ended 31 December 2016	–
For the year ended 31 December 2017	5.8
For the four months ended 30 April 2018	–

*Notes:*

1. LTIFR is a frequency rate that shows how many 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 multiplying the number of lost time injuries in terms of loss days of our Group that occurred during the relevant calendar year or period by 1,000,000 divided by the number of hours worked by site workers over the same calendar year or period. It is assumed that the number of working hours of each worker is 9 hours per day. The number of working days for the three calendar years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 were 300 days, 301 days, 299 days and 98 days, respectively.
2. Employees of our Group and our subcontractors are included in the LTIFRs shown above.

The fluctuation of our Group's LTIFR during the Track Record Period is in line with the respective accident rates per 1,000 workers as disclosed above.

The following table sets out the nature and type of material industrial accidents which occurred during the Track Record Period and the corresponding safety measures and requirements we undertook and implemented to prevent the occurrence of similar accidents to protect the workers of our Group and our subcontractors:

**Nature and type of industrial accidents**

Contusion, laceration, sprain and/or fracture injury caused in connection with lifting and carrying materials

**Safety measures and requirements undertaken**

We always seek to minimise the needs for our workers to handle and lift heavy materials where possible. In circumstances where manual handling of heavy materials is inevitable, our Group will provide relevant facilities such as hydraulic truck cranes, loaders or carts to facilitate such manual works. Training to workers in relation to the correct handling techniques will also be conducted in accordance with the relevant rules and regulations.



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### **Nature and type of industrial accidents**

### **Safety measures and requirements undertaken**

Contusion, bruise, sprain and/or fracture injury caused in connection with falling from height

Workers are required to strictly follow our Group's relevant safety rules whilst working at height. For works to be conducted within lift shafts and at a height of 2m or above, the relevant working platforms or structures shall be inspected by a competent person before commencement of work and regularly during the course of execution of the work. If the specified height is reached, each worker is strictly required to wear safety harness.

To ensure the abovementioned safety measures will be followed by our workers and the workers of our subcontractors, our site foreman and safety officer, as well as our executive Directors, will carry out regular visits and inspections at the construction sites. In particular, our site foreman will stop any unsafe act and suspend any dangerous operation, and check to ensure that all plant and equipment are safe and suitable for work. Our safety officer will ensure the implementation of safety management system, communication with the safety officers of other contractors at all tiers, development of safety training program to ensure that our workers and the workers of our subcontractors are properly trained in order to follow our safety rules. Our executive Directors will regularly have safety meetings with our site foreman and safety officer to evaluate our safety rules and policies, and if necessary, update and revise the same.

## **ENVIRONMENTAL PROTECTION**

Our Group's operations on sites are subject to various environmental requirements pursuant to the laws in Hong Kong such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance. For details of the regulatory requirements, please refer to the section headed "Regulatory Overview" of this prospectus.

We are committed to minimising the adverse impact to the environment caused by our business operations. We have established environmental management policy to ensure proper management of environmental protection and compliance with environmental laws and regulations by both our employees and workers of the subcontractors on, among others, air pollution, noise control and waste disposal matter. Our Group considers that the annual cost of compliance with the applicable environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material in the coming years.

During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against our Group.

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### INSURANCE

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers are, subject to section 40(1B) of the Employees' Compensation Ordinance, 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. We have obtained insurance coverage in accordance with such requirement.

Pursuant to section 40(1B) of the Employees' Compensation Ordinance, where a main 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 its liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a main contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the main contractor and a subcontractor insured under the policy shall be regarded as having complied with the relevant requirements of the Employees' Compensation Ordinance. As a subcontractor, our Group's liability in respect of the claims from employees of our Group and our Group's subcontractors arising out of and in the course of their employment will be covered by the insurance policy taken out by the relevant main contractor.

Our Directors confirmed that during the Track Record Period, all our construction projects were covered and protected by the employees' compensation insurance and contractor's all risks insurance taken out by our Group or the relevant main contractor of project where we work as subcontractor. Such insurance policies covered and protected all employees of main contractors and subcontractors of all tiers working in the relevant construction site. During the Track Record Period, our Group maintained insurance coverage against (i) liability for third party bodily injury occurred in our office premises; (ii) contractor's all risks; (iii) loss or damage of our site equipment; and (iv) third-party liability in relation to the use of our vehicles.

Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks.

Our Directors believe that our current insurance policies are adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our insurance expenses amounted to approximately HK\$183,000, HK\$187,000, HK\$372,000 and HK\$550,000, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

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### COMPETITIVE LANDSCAPE

For the civil engineering sector, the overall gross output value of works grew between 2012 and 2017, according to the Ipsos Report, and the growing trend is expected to persist until 2019. Ipsos noted that the civil engineering construction industry in Hong Kong is relatively concentrated, with the top 5 players accounting for 45.8% of the total industry revenue in 2016. According to the Ipsos Report, contractors in Hong Kong compete on several key factors, including the required licenses and qualifications, technical expertise, good relationships with customers and quality of works, details of which are set out in the section headed “Industry Overview – Factors of competition” in this prospectus.

Our Directors are of the view that our Group has spent considerable efforts in maintaining our competitiveness. In respect of licenses and qualifications, we have been maintained on the Approved Contractors List and were further registered as a Registered General Building Contractor in June 2017. Our Directors and project management team have placed emphasis on technical expertise and quality of works and consider that customer relationship is an important aspect of our business. During the Track Record Period, some of our major customers have engaged us for more than one project.

We have increased our size of machinery and equipment and fleet of vehicles, together with our abundance of experience in the construction industry, our Directors believe that our Group is in a competitive position in Hong Kong.

### PROPERTY INTERESTS

#### Leased properties

As at the Latest Practicable Date, our Group does not own any property. The following table summarises the information regarding our leased properties as at the Latest Practicable Date:

<b>Address</b>	<b>Monthly rental expenses</b>	<b>Use of the property</b>	<b>Duration</b>
Shop 12, G/F., Leung Choy Building, 2-44 Ping Fai Path, Yuen Long, N.T.	HK\$25,000	Office	1 January 2018 to 31 December 2020
Shop 11, G/F., Leung Choy Building, 2-44 Ping Fai Path, Yuen Long, N.T.	HK\$28,000	Office	1 October 2018 to 30 September 2023
Unit B Part of B13 on 6/F, Fuk Tsun Factory Building, Nos. 66 & 68 Fuk Tsun Street, Kowloon	HK\$7,100	Office	8 March 2018 to 7 April 2019

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### INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, our Group have registered for one trademark and one domain name in Hong Kong.

Information relating to our intellectual property rights is set out in the paragraph headed “Statutory and General Information – B. Further information about the business – 2. Intellectual property rights” in Appendix IV to this prospectus. As at the Latest Practicable Date, (i) we were not aware of any dispute or infringements by our Group of any intellectual property rights owned by third parties, and (ii) we were not aware of any dispute or pending or threatened claims against our Group in relation to material infringement of any intellectual property rights of third parties.

### LICENSES, PERMITS AND REGISTRATION

As advised by our legal advisers as to Hong Kong laws, except for the business registration under the Business Registration Ordinance (Cap. 310 of the Laws of Hong Kong), save for those listed hereunder, there are no further licenses, permits or approvals required to be obtained for our Group to carry on our business as a contractor undertaking building construction and civil engineering projects.

#### 1. *RGBC and Approved Contractors List*

The following table summarises details of registrations held by our Group members as at the Latest Practicable Date:

Type of registration	Granting authority	Grantee	Date of first registration	Date of upcoming expiry
Registered General Building Contractor	Buildings Department	Ming Shing	14 June 2017	14 June 2020
Approved Contractor – Site Formation under Group B (Probation)	Development Bureau	Ming Shing	7 October 2005	Not applicable (Note)
Approved Contractor – Roads and Drainage under Group B (Probation)	Development Bureau	Ming Shing	24 October 2000	Not applicable (Note)
Approved Contractor – Waterworks under Group A (Probation)	Development Bureau	Ming Shing	9 April 2005	Not applicable (Note)

*Note:* The registration in the Approved Contractors List is not subject to a renewal condition. Contractors in the Group A of the relevant works category have tender limit for contracts of value of up to HK\$100 million, while contractors in the Group B of the relevant works category have tender limit for contracts of value of up to HK\$300 million. For details, please refer to the section headed “Regulatory Overview” in this prospectus.

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### 2. *Subcontractors Registration Scheme*

Our Group is registered as a registered subcontractor under the Subcontractors Registration Scheme of the Construction Industry Council. The following table summarises the details of such registration held by our Group as at the Latest Practicable Date:

Type of registration	Issuing authority	Grantee	Trade(s)	Specialties	Date of expiry
Registered subcontractor	Construction Industry Council	Ming Shing	Foundation and Piling	– Sheet piles – Micro piles	6 October 2023
Registered subcontractor	Construction Industry Council	Ming Shing	Concreting Formwork	– Timber formwork – Large panel formwork – Metal/system formwork	6 October 2023
Registered subcontractor	Construction Industry Council	Ming Shing	General Civil Works	– Earthwork – Roadworks – Road drainage and sewer	6 October 2023

The registration as RGBC will expire in 3 years beginning on the date of inclusion in the registration and the application of renewal should be submitted not earlier than 4 months and not later than 28 days prior to the date of expiry of the registration by providing information and supporting documents to show continued compliance with the entry requirements. Under the Subcontractors Registration Scheme, the application of renewal should be submitted within three months before expiry of the current registration by providing information and supporting documents to show continued compliance with the entry requirements.

Our Directors confirm that our Group had not experienced any material difficulties in obtaining and/or renewing such licences, permits, consents and approvals during the Track Record Period and up to the Latest Practicable Date. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, permits, consents and approvals.

### **RESEARCH AND DEVELOPMENT**

During the Track Record Period and as at the Latest Practicable Date, our Group did not engage in any research and development activities.

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### EMPLOYEES, MANAGEMENT AND STAFF TRAINING

As at the Latest Practicable Date, we had 111 employees who were directly employed by our Group. A breakdown of our employees by function as at the dates as indicated is set out below:

	<b>As at the Latest Practicable Date</b>
Directors (of our Company and subsidiaries)	2
Project management	1
Quantity surveying	3
Engineering	9
Safety	3
Administration and accounting	3
Site worker	<u>90</u>
Total	<u><u>111</u></u>

We generally recruit our staff from the open market through placing recruitment advertisements or websites. We believe that the relationship and co-operation between our management and employees have been good and we expect that such relationship and co-operation will stay amicable going forward. There has not been any incident of strike or labour shortage or material labour dispute during the Track Record Period, which adversely affected our operations.

Our employees are invaluable assets of our Group and we are dedicated to managing human capital. We believe that continuous staff training and development will not only improve our staff's performance, but will also enhance loyalty and staff morale. For our new recruits, we offer induction training courses which cover practical and technical aspects of their works, together with our corporate culture and core value.

We also provide ongoing training programmes for our employees and provide subsidies to staff for recognised courses. Our workers are also provided with training on workplace safety and in other job related areas to facilitate them to maintain their qualifications on site. We believe that these measures will also serve as a means to retain quality staff.

Remuneration package we offer to our staff includes basic salary, discretionary bonuses and allowance. We review the performance of our employees on a periodical basis in order to determine salary adjustment and promotions and keep our remuneration package competitive.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had no material non-compliance with all the applicable employment laws, rules and regulations in Hong Kong.

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### LITIGATION, ARBITRATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group has been involved in a number of claims, litigations and potential claims in relation to work injuries which are disclosed below and the total amount of employees' compensation paid by our Group to the injured employee was approximately HK\$176,000 and settled by relevant insurer. During the Track Record Period and as at the Latest Practicable Date, our Group had not been involved in any litigation and arbitral proceedings and our Director had confirmed that there were no pending or threatened commercial/arbitration claims against any member of our Group.

Set out below are the details of (a) settled employees' compensation claim against our Group during the Track Record Period and up to the Latest Practicable Date; and (b) potential litigations in relation to employees' compensation and personal injury claims against our Group as at the Latest Practicable Date. Our Directors are of the view that occurrence of employees' compensation and personal injury claims is not uncommon in the construction industry and such claims have no material impact on our Group.

**(a) Settled employees' compensation claim against our Group during the Track Record Period and up to the Latest Practicable Date**

Set out below are the details of the settled employees' compensation claim against our Group during the Track Record Period and up to the Latest Practicable Date:

<b>Particulars of the claim</b>	<b>Date of the incident</b>	<b>Type of claim</b>	<b>Status</b>
An employee of our subcontractor sustained a contusion injury to his finger whilst lifting item in the course of work	29 October 2015	A claim under the Employees' Compensation Ordinance ("ECC")	The claim was fully settled and fully covered by insurance.

**(b) Potential litigations in relation to employees' compensation and personal injury claims against our Group as at the Latest Practicable Date**

Our Group's liabilities in a case of personal injuries to our and our subcontractors' employees from accidents arising out of and in the course of their employment include those under (i) the Employees' Compensation Ordinance; and (ii) common law personal injury claim. The Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system which gives employees the right to compensation in respect of (i) injuries or death caused by accidents arising out of and in the course of employment, or (ii) prescribed occupational diseases under the Employees' Compensation Ordinance. A common law personal injury claim may arise if the injury is caused to an employee by our negligence, breach of statutory duty, or other wrongful act or omission. For some of the potential claims, even if the relevant employees' compensation claim had been settled, the injured employees may still pursue litigation through personal injury claims against us under the common law. The damages awarded under common law claims are normally reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance in any event.

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One ECC during the Track Record Period has been settled with the entire settlement amount reimbursed to our Company under the main contractor's insurance policy, details of which were set out in the paragraph above. No action has been taken pursuant to the accident on 8 December 2015, and it is now time barred as the relative limitation period for making an ECC has passed. The remaining potential ECC arose from the accident on 24 November 2017, for which legal proceedings have yet to be commenced.

Albeit only one of the potential claims of the three injuries remained within the limitation period of two years for making an ECC, all of them are still within the limitation period of three years for personal injury claims from the date of the relevant incidents. As such court proceedings have not yet commenced, we are not in a position to assess the likely quantum of such potential claims. These accidents happened during usual and ordinary course of our business and have not caused disruption to our Group's business or adverse impact on our Group to obtain any licences or permits for our operation. Our Directors take the view that the potential amount to be borne by our Group in the incidents, including the one that had been fully settled, inclusive of all legal costs, shall be covered by the relevant insurance policies as the incident have been duly reported to the main contractor and our Group's entire conduct of its defence against such claims, if any, in the future will be taken up by the relevant insurers. Please see below for a summary of the expiry of limitation period of the aforesaid work injury cases: -

<b>Year</b>	<b>Number of employees' compensation claims which limitation period will expire</b>	<b>Number of personal injury claims which limitation period will expire</b>
2018	–	2
2019	1	–
2020	–	1
Total	<u>1</u>	<u>3</u>

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

### **Indemnity given by the Controlling Shareholders**

The Controlling Shareholders have entered into a Deed of Indemnity whereby the Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any outstanding and potential litigations (including criminal litigations), claims of our Group on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the section headed "Statutory and General Information – E. Other information – 1. Tax and other indemnities" in Appendix IV to this prospectus.



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### LEGAL AND REGULATORY COMPLIANCE

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which constitute material impact non-compliance or systemic non-compliance and our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong and all of them are in force.

### RISK MANAGEMENT AND INTERNAL CONTROL

Our Directors consider that during the ordinary course of our business, we are primarily exposed to (i) operational risks; (ii) credit risks; and (iii) market risks relating to the changes in macroeconomic environment.

The following set out the key risks for our business and how our Group intends to mitigate them:

#### **Operational risks**

For our business operations, we are primarily exposed to labour shortage risk, project delay risk and health and safety risk.

##### *Labour shortage risk*

The labour shortage and ageing problem has taken root in the construction industry for a number of years and our Group has leveraged on the good relationship with our labour and subcontractors to mitigate this risk. We have a list of approved subcontractors which we review and update regularly and the subcontractors we worked with had been able to call for adequate labour for their works. Our project team has regular meeting to discuss the deployment of labour, including the timing and number of workers required.

##### *Project delay risk*

Any delay in the project (which may or may not be caused by us) would affect the timing of our Group's cash inflows and outflows. Our Group regularly communicates with the main contractors, i.e. our customers, and are kept up to date regarding each site's progress. We plan the deployment of our labour and other resources accordingly. Our accounting and finance department also forecasts the works to be done in the forthcoming months to plan our liquidity and working capital use and report to our executive Directors to consider whether contingency plans are required.

##### *Health and safety risk*

We have adopted a safety and health policy for our staff and, when required, workers of our Group, together with those of our subcontractors, attend safety training courses organised by our customers and their safety officers qualified under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors)

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Regulations (Cap. 59Z of the Laws of Hong Kong). Our safety supervisors, having obtained safety supervisor training certificate or equivalent qualification, conduct inspection on our operations and equipment to ensure all workers work in a safe environment.

### **Credit risks**

We are exposed to risk of increase in bad debts if the credit granted are not closely monitored by us. To minimise credit risks, we adopted the following internal control measures:

- before acceptance of a construction project, we conduct internal assessment on the customer's payment history and its reputation in the industry to form a view on its credibility and negotiate the credit terms;
- our chief financial officer continuously monitors all overdue payments of each project and our Directors take necessary follow-up actions to remind customers for the timely settlement of our payments; and
- our chief financial officer prepares receivables ageing analysis for the presentation to our Directors and our management will review the recoverable amount and assess whether it is necessary to make any specific provisions.

### **Market risks**

Our Group is exposed to market risks relating to changes in the social, political and economic conditions in Hong Kong. Delays in project commencement, particularly projects in the public sector due to political filibustering for approving new funding and objections or legal actions by the affected members of the public, may affect our project portfolio and original plans of purchase of construction materials or deployment of labour. Our Directors closely monitor works forecast by the Government and the number of new projects approved by the Development Bureau so as to adjust our business strategies and assess our participation in the public and private sectors. It is our Directors' responsibility to identify and assess the prevailing economic condition and market risks and adopt different policies from time to time to mitigate market risks.

### **Risk management**

We have established risk management systems consisting of relevant policies and procedures that we believe are appropriate for our business operations, including monitoring our works performance and taking active measures to manage our costs and procurement level. Pursuant to our risk management policy, our key risk management objectives include: (i) identifying different types of risks; (ii) assessing and prioritising the identified risks; (iii) developing appropriate risk management strategies for different types of risks; (iv) identifying, monitoring and managing risks and our risk tolerance level; and (v) execution of risk response measures.

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## BUSINESS

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Our Board oversees and manages the overall risks associated with our operations. Moreover, our Audit Committee will review and supervise our financial reporting process and internal control system. The audit committee consists of three members, namely Ms. Li On Lei, who serves as the chairman of the committee, Mr. Law Kam Chuen and Ms. Shum Wing Ting. For the qualifications and experience of these risk management team members namely our executive Directors and our chief financial officer, Mr. Mok Yu Ting, and committee members, please refer to section headed “Directors, Senior Management and Employees” in this prospectus.

### **Our internal control system**

We endeavor to maintain a sound and effective internal control system to safeguard Shareholders’ value and our assets. In preparing for the Listing and efforts to improve our internal control system, in September 2017, we engaged Crowe (HK) Risk Advisory Limited (the “**IC Consultant**”), an independent internal control adviser, to perform evaluation under the Committee of Sponsoring Organizations of the Treadway Commission’s 2013 framework of the adequacy and effectiveness of our Group’s internal control system, including the areas of financial, operation, corporate governance, compliance and risk management. The IC Consultant performed an internal control review in November 2017. Upon completion of such review, the IC Consultant identified certain findings and recommended measures in relation to our internal control systems. The following table summarises the major findings and recommended measures of the IC Consultant.

<b>Major finding on internal control review</b>	<b>Recommended measure</b>
1. Our Group had no internal audit functions to carry out internal audit works.	Our Group should establish its internal audit functions or employ independent professionals for outsourcing the function.
2. Our Group did not maintain proper record of tender quotation for evaluation of subcontractors during the tender selection process.	Our Group should maintain proper records on the assessment of subcontractors and request subcontractors to provide proper tender quotation.
3. Our Group had not maintained a connected/related party register for collection and disclosure of information of related party transactions.	Our Group should maintain a connected/related party register for collection and disclosure of information of related party transaction and to provide related training to our Directors.

We have fully implemented all the recommended measures suggested by the IC Consultant and the IC Consultant has also performed a follow-up review in February 2018 to understand the status of our implementation of the recommended measures.

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## BUSINESS

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The results of the follow-up review by the IC Consultant indicated that we have satisfactorily implemented all the recommended measures based on its follow-up review.

Our Directors are of the view, and the Sponsor concurs, that our Group has adequate and effective internal control measures for our operations, compliance and corporate governance.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any options that may be granted under the Share Option Scheme), Miracle Investments will control 75% of our issued share capital, which is in turn wholly-owned by Mr. Law. For the purpose of the Listing Rules, each of Mr. Law and Miracle Investments (an investment holding company wholly-owned by Mr. Law) is the Controlling Shareholder.

Each of our Controlling Shareholders confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders, their respective close associates, taking into account the following factors:

*(i) Financial independence*

Our Group has an independent financial system, and makes financial decisions according to our Group's own business needs. As at 30 April 2018, the amount due to Controlling Shareholders had been settled. In addition, all of the personal guarantees executed by Mr. Law and the joint guarantees provided by Mr. Law and Ms. Cheng, spouse of Mr. Law and executive Director of our Company, in favour of our Group will be released before Listing. We have sufficient capital to operate our business independently, adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period and up to the Latest Practicable Date, our Group relied principally on cash generated from operations to carry on its business and this is expected to continue after the Listing.

*(ii) Operational independence*

We have established our own organisational structure comprised of individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, subcontractors, customers, marketing, sales and general administration resources, with the Controlling Shareholders and/or their close associates during the Track Record Period. Further, we hold all relevant registrations necessary to carry on our business and have an independent and stable team of employees and pool of sub-contractors/suppliers to carry out our day-to-day operation. Our Directors confirm that none of our Controlling Shareholders, and our Directors and their respective close associates, has any relationship with the suppliers, subcontractors and customers of our Group during the Track Record Period. Our Group is able to operate independently from our Controlling Shareholders after the Listing.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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As at the Latest Practicable Date, we leased and will, after Listing, continue to lease certain property from Mr. Law and Ms. Cheng, both a connected person, details of which are set out in the section headed “Connected Transaction” in this prospectus. As we have been leasing such property from Mr. Law and Ms. Cheng throughout the Track Record Period, we currently do not, and in a foreseeable future will not, have any plan to relocate to an alternative property, which we believe is in the interests of our Company and the Shareholders as a whole in terms of costs, time and operational stability. Meanwhile, we believe that in the event that Mr. Law and Ms. Cheng cease to lease the property to us, we would be able to find suitable alternatives from lessors who are independent third parties without undue delay or inconvenience incurred to the operation of our business. Accordingly, our Directors are of the view that such tenancy arrangement does not, and will not, have any material adverse impact on our operation independence from the Controlling Shareholders and/or their respective close associates.

*(iii) Independence of management*

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The main function of our Board includes the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group’s policies and strategies.

Our Board comprises two executive Directors and three independent non-executive Directors. Mr. Law and Ms. Cheng, spouse of Mr. Law, are our executive Directors. Mr. Law, who is the sole director of Miracle Investments, is the overlapping director between our Group and the Controlling Shareholder. Save for Mr. Law, none of the other Directors nor members of senior management hold any directorship or position in Miracle Investments.

We consider that our Board and senior management are capable of managing our Group’s business independently from the Controlling Shareholders because:

- each of our Directors is fully aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- the three independent non-executive Directors are well-qualified and have extensive experience in different areas, or professionals. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;
- connected transactions between our Group and our Controlling Shareholders or our respective associates are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (where applicable); and
- in addition, the senior management team of our Group, other than Mr. Law Fu Kwok, who is the brother of Mr. Law, are independent from the Controlling Shareholders.

### COMPETING INTEREST OF OUR CONTROLLING SHAREHOLDERS

Save as otherwise disclosed, our Controlling Shareholders, our Directors and their respective associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

### DEED OF NON-COMPETITION

Mr. Law and Miracle Investments (each a "Covenantor", and collectively, the "Covenantors") entered into a deed of non-competition dated 8 October 2018 in favour of our Company (for itself and on behalf of its subsidiaries), with an aim to avoid any possible future competition between our Group and our Controlling Shareholders.

Pursuant to the Deed of Non-competition, each of the Covenantors has jointly and severally, irrevocably and unconditionally undertaken and covenanted with our Company (for itself and on behalf of our subsidiaries) that during the period that the Deed of Non-competition remains effective, he/it and his/its associates shall not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest in any business which competes with the existing business engaged by our Group from time to time, save for the holding of not more than 5% shareholding interest (individually or with his/its associates) in any company listed on a recognised stock exchange and he/it or his/its associates are not entitled to appoint a majority of the directors or management of that company.

Each of the Covenantors further undertakes that if he/it and/or his/its associates is aware of any project or new business opportunity that may compete with the business of our Group, he/it and/or his/its associates shall refer such project or new business opportunity to our Group for Consideration and we shall have a right of first refusal to take up such business opportunities.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Our Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

- (a) our independent non-executive Directors shall review, on an annual basis, the above undertakings from the Covenantors, and to evaluate the effective implementation of the Deed of Non-competition; and
- (b) each of the Covenantors shall further undertake and covenant with our Company that:
  - (i) for so long as the Deed of Non-competition remains in effect, he/it will promptly provide our Company such information as our Company may from time to time reasonably request to ascertain compliance by the Covenantors of their obligations under the Deed of Non-competition; and
  - (ii) if requested by our Company, he/it will issue a letter to our Company, confirming his/its full compliance with the relevant terms of the Deed of Non-competition, and consenting our Company's disclosure of the contents of such letter in the annual report of our Company, and/or such other documents as otherwise published by our Company.

The Deed of Non-competition is conditional on, and take effect upon, the Listing.

The Deed of Non-competition shall terminate on the earliest date on which (i) our Company becomes wholly-owned by the Covenantors, and/or their respective associates (whether individually or collectively); or (ii) the securities of our Company cease to be listed on the Stock Exchange, or any other stock exchange recognised under the SFO (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

### CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates undertake not to compete with us as provided in the Deed of Non-competition. The following measures will be adopted to manage any conflict of interest and to safeguard the interests of the Shareholders:

- (1) our independent non-executive Directors will review the compliance with the Deed of Non-competition (as defined below) by our Controlling Shareholders on an annual basis;
- (2) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (3) our Company will disclose decisions on issues reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in our Company's annual reports;



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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (4) our Controlling Shareholders will make a declaration on compliance with the Deed of Non-competition annually in the annual report of our Company;
- (5) the Articles provide that a Director shall absent himself from participating in Board meetings (nor shall he be counted in the quorum) and voting on any resolution of our Board approving any contract and/or arrangement and/or other proposal in which he or any of his associates is materially interested unless a majority of the independent non-executive Directors expressly require him to attend; and
- (6) any transaction that is proposed between our Group and the Controlling Shareholders and/or their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

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

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## CONNECTED TRANSACTION

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### OVERVIEW

The following transaction has been carried out by our Group and connected persons of our Company during the Track Record Period and is expected to continue following the Listing and will constitute continuing connected transaction for our Company under the Listing Rules.

### CONNECTED PERSONS

Mr. Law and Ms. Cheng are our Directors and Mr. Law is our Controlling Shareholder, therefore each of them is a connected person of our Company under the Listing Rules.

### FULLY EXEMPTED CONTINUING CONNECTED TRANSACTION

#### Tenancy Agreement

On 22 January 2018, Ming Shing entered into a written tenancy agreement (the “**Tenancy Agreement**”) with Mr. Law and Ms. Cheng, pursuant to which Ming Shing agreed to rent the office at Shop 12, G/F, Leung Choy Building, 2-44 Ping Fai Path, Yuen Long, New Territories, Hong Kong (the “**Property**”) from Mr. Law and Ms. Cheng, the registered owners of the premises.

The Tenancy Agreement is for a term of two years commencing on 1 January 2018 at a monthly rent of HK\$25,000.

#### *Reasons for and benefits of the transaction*

Throughout the Track Record Period, our Group has been leasing the abovementioned property for office use and we have no present plan for a relocation. The Property has been used as our Group’s principal place of business in Hong Kong.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the aggregate amount of the rents paid by our Group to Mr. Law and Ms. Cheng in relation to the Property amounted to approximately HK\$300,000, HK\$300,000, HK\$300,000 and HK\$100,000, respectively. The maximum total annual amount of rental fee payable to Mr. Law and Ms. Cheng by our Group under the Tenancy Agreement for the year ending 31 December 2018 is HK\$300,000.

#### *Pricing policy*

The rental rate under the Tenancy Agreement was determined after arm’s length negotiation between the parties thereto with reference to applicable market rental rates of neighbouring properties. In order to ensure that the rental fee is fair and reasonable and in line with prevailing market rate, we have also obtained quotations from Independent Third Parties for similar properties in the vicinity.

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## CONNECTED TRANSACTION

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As such, our Directors (including our independent non-executive Directors) are of the view and the Sponsor concurs that the Tenancy Agreement had been and will be entered into in the ordinary and normal course of business and on normal commercial terms that are fair, reasonable and in the best interest of our Company and the Shareholders as a whole.

### *Listing Rules implications*

As it is expected that the highest relevant percentage ratio (other than the profits ratio) in respect of the rental fee paid by our Group to Mr. Law and Ms. Cheng under the Tenancy Agreement will be, on an annual basis, less than 5% and the total consideration will be less than HK\$3,000,000 in aggregate according to the Tenancy Agreement, and is on normal commercial terms, the transaction contemplated under the Tenancy Agreement will be fully exempted from shareholders' approval, annual review and all disclosure requirements by virtue of Rule 14A.76(1)(c) of the Listing Rules.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### DIRECTORS

Our Board consists of five members, two of whom are executive Directors while the remaining three of whom are independent non-executive Directors. The following table sets out the information regarding the current Directors of our Company.

Name	Age	Present position	Date of joining our Group	Date of appointment	Roles and responsibilities	Family relationship with other Director(s) and/or senior management
<i>Executive Directors</i>						
Law Fu Keung (羅富強)	56	Chairman, executive Director and chief executive officer	February 1997	19 January 2018	Chairman of the Nomination Committee and members of the Remuneration Committee, Overall management, development and planning of our Group and participating in the day-to-day management of our Group's business operations.	Spouse of Ms. Cheng; brother of Mr. Law Fu Kwok
Cheng Fung Yi (鄭鳳儀)	58	Executive Director	August 1999	19 January 2018	Member of Nomination and Remuneration Committee, Management administrative and compliance matters with respect to our Group and participating in the day-to-day management of our Group's administrative, human resources and investor relationship matters	Spouse of Mr. Law
<i>Independent non-executive Directors</i>						
Li On Lei (李安梨)	41	Independent non-executive Director	8 October 2018	8 October 2018	Chairman of the Audit Committee, member of Remuneration and Nomination Committee, overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation	None
Shum Wing Ting (沈詠婷)	30	Independent non-executive Director	8 October 2018	8 October 2018	Member of the Audit, Nomination and Remuneration Committee, overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation	None

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Name	Age	Present position	Date of joining our Group	Date of appointment	Roles and responsibilities	Family relationship with other Director(s) and/or senior management
Law Kam Chuen (羅錦全)	61	Independent non-executive Director	8 October 2018	8 October 2018	Chairman of the Remuneration Committee, member of Audit and Nomination Committee overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation	None

### EXECUTIVE DIRECTORS

**Mr. Law Fu Keung** (羅富強), aged 56, is our Chairman, executive Director, chief executive officer and the founder of our Group. Mr. Law was appointed as a Director on 19 January 2018 and was redesignated as an executive Director on the same date. As a dedicated leader since the commencement of our Group's operations and a key member of our executive management team, Mr. Law is primarily responsible for the overall management, development and planning of our Group. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee.

Mr. Law has over 38 years of experience in civil engineering and construction field. He began his career as foreman at Yeu Shing Construction Company Limited (“**Yeu Shing**”) in June 1979. In August 1981, Mr. Law started to work as a quantity surveyor in the same company, and subsequently joined the apprenticeship programme of Yeu Shing in May 1984. Mr. Law completed his apprenticeship as a construction technician in May 1988 and held his last position at Yeu Shing as a site agent in May 1988. Thereafter, he served Hang Shing Finishing Works Company Limited as a quantity surveyor and site co-ordinator from August 1989 to March 1990. In March 1990, Mr. Law served Dragages et Travaux Publics as a quantity surveyor. Prior to establishing our Group, in November 1994, Mr. Law started the business of civil engineering subcontracting as an unlimited partnership under the business name of Ming Shing Construction Engineering Company. Mr. Law later founded our Group by co-founding Ming Shing with three independent third parties in January 1997. Mr. Law has been a director of Ming Shing since February 1997.

Mr. Law obtained a higher certificate in building studies from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1988. He obtained a certificate of detection of underground electricity cables/gas pipes from Construction Industry Training Authority (CITA) in March 2002. Mr. Law is currently approved by the Electrical and Mechanical Services Department of the Government as a competent person for locating underground electricity cables.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Law was a director of the following companies, which were dissolved (but not due to member's voluntary winding-up) with details as follows:

<b>Name of company</b>	<b>Principal business activity immediately before dissolution</b>	<b>Date of dissolution</b>	<b>Details</b>
Long Win Engineering Limited	Construction	23 May 2008	A Hong Kong incorporated company dissolved by deregistration under section 291AA of the Predecessor Companies Ordinance ( <i>Note 1</i> )
Goldwell Management Limited	Construction	1 September 2017	A Hong Kong incorporated company dissolved by deregistration under section 751 of the Companies Ordinance ( <i>Note 2</i> )

*Notes:*

- (1) Under section 291AA of the Predecessor Companies Ordinance, an application to deregister a private company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities.
- (2) Under section 751 of the Companies Ordinance, an application for de-registration can only be made if in addition to the conditions for section 291AA of the Predecessor Companies Ordinance mentioned above, (a) the company is not a party to any legal proceedings; (b) the company's assets do not consist of any immovable property situate in Hong Kong; (c) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong; and (d) the company is not a company specified under section 749 of the Companies Ordinance.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Law confirmed that (i) the above companies were solvent immediately before their respective dissolution; (ii) there is no wrongful act on his part leading to the dissolution of these companies; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, and that his involvement in the above companies was part and parcel of his services as a director/owner of these companies and that no misconduct or misfeasance had been involved in the dissolution of these companies.

Mr. Law is the spouse of Ms. Cheng and brother of Mr. Law Fu Kwok.

**Ms. Cheng Fung Yi (鄭鳳儀)**, aged 58, is an executive Director of our Group. Ms. Cheng was appointed as a Director on 19 January 2018 and was redesignated as an executive Director on the same day. She is also a member of each of the Nomination Committee and the Remuneration Committee. Ms. Cheng joined Ming Shing since August 1999 and was later appointed as a director of Ming Shing since September 2015. Ms. Cheng is responsible for administrative and compliance matters of our Group.

Prior to joining our Group, Ms. Cheng gained approximately 14 years of administrative, human resources, customer relation and general accounting experience. She worked for Hutchison Paging Limited since May 1982 and held last position as an assistant supervisor when she left Hutchison Paging Limited in March 1996. Ms. Cheng had been a housewife before joining Ming Shing in August 1999.

Ms. Cheng obtained a diploma in accounting and practical computing from Hong Kong College of Technology in June 1999.

Ms. Cheng was a director of the following company, which was dissolved (but not due to member's voluntary winding-up) with details as follows:

<b>Name of company</b>	<b>Principal business activity immediately before dissolution</b>	<b>Date of dissolution</b>	<b>Details</b>
Long Win Engineering Limited	Construction	23 May 2008	A Hong Kong incorporated company dissolved by deregistration under section 291AA of the Predecessor Companies Ordinance

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

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Ms. Cheng confirmed that (i) the above company was solvent immediately before their respective dissolution; (ii) there is no wrongful act on her part leading to the dissolution of the above company; and (iii) she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution, and that her involvement in the above company was part and parcel of her services as a director/owner of the above company and that no misconduct or misfeasance had been involved in the dissolution of the above company.

Ms. Cheng is the spouse of Mr. Law.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Li On Lei** (李安梨) (“**Ms. Li**”), aged 41, was appointed as our independent non-executive Director on 8 October 2018. She is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Ms. Li is responsible for overseeing our Group’s compliance, internal control and corporate governance.

Ms. Li graduated from Leeds Metropolitan University with a Bachelor of Arts (Hons) Degree in Accounting and Finance through distance learning in June 2003. Ms. Li has been a fellow member of the Association of Chartered Certified Accountants since March 2016.

Ms. Li is currently the independent non-executive director of Goal Forward Holdings Limited (Stock Code: 8240) (“**Goal Forward**”), where she is primarily responsible for providing independent judgment and advising on the issues of strategy, performance, resources and standard of conduct of Goal Forward. Ms. Li is also currently the financial controller of Gameone Holdings Limited (Stock Code: 8282) (“**Gameone**”), where she is primarily responsible for the handling and overseeing financial reporting, financial planning, and reviewing internal control of Gameone. Prior to joining Gameone, she had worked in the Audit and Assurance Department of HLB Hodgson Impey Cheng Limited from July 2004 to May 2015, and her last position was senior manager. She has accumulated approximately 14 years of experience in auditing, accounting and financial management.



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Ms. Shum Wing Ting** (沈詠婷) (“**Ms. Shum**”), aged 30, was appointed as our independent non-executive Director on 8 October 2018. She is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Ms. Shum is responsible for overseeing our Group’s compliance, internal control, corporate governance.

Ms. Shum is currently a practicing solicitor in Hong Kong and has experience in general legal practice with specialisation in civil litigation and commercial law. Ms. Shum graduated from The Chinese University of Hong Kong with a bachelor degree in laws (LL.B.) in December 2011 and completed her postgraduate certificate in laws (“**PCLL**”) in July 2012.

Ms. Shum commenced her 2-year traineeship in LCP, Solicitors and Notaries after the completion of PCLL and completed such traineeship in August 2014. Ms. Shum was then admitted as a solicitor of Hong Kong in November 2014 and has become an assistant solicitor in LCP, Solicitors and Notaries. Ms. Shum is currently a member of the Law Society of Hong Kong.

Ms. Shum has not served in any public companies the security of which are listed on any securities market in Hong Kong or oversea during the past three years.

**Mr. Law Kam Chuen** (羅錦全) (“**Mr. KC Law**”), aged 61, was appointed as our independent non-executive Director on 8 October 2018. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. KC Law is responsible for overseeing our Group’s compliance, internal control, corporate governance.

Mr. KC Law obtained a higher certificate in civil engineering from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1983. He later completed a diploma course of training management at The Chinese University of Hong Kong in November 1995. Mr. KC Law then obtained his bachelor degree in business administrative management from the University of South Australia in August 2000 through distance learning. He subsequently obtained the international advanced diploma in administrative management from the Institute of Administrative Management in January 2001 through distance learning. Mr. KC Law has been a member of the Institute of Clerks of Works of Great Britain Incorporated since 1987.

Mr. KC Law is a retired chief technical officer of building works in the Government. He has built his career of over 40 years within the Housing Department. Mr. KC Law joined the former Public Works Department as a foreman in April 1977, which position was later retitled as works supervisor II. He was then appointed as a senior foreman (Construction), subsequently redesignated as works supervisor I (Construction) in December 1980 in the Housing Department. In September 1984, Mr. KC Law was appointed as an assistant clerk of works, in which position he served in the next 12 years to 1996. He was subsequently promoted to clerk of works in September 1996 and then to senior clerk of works in October 2006. Mr. KC Law was promoted as a chief technical officer (Building works) since August 2015 and maintained such position until his retirement in September 2017.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. KC Law has not served in any public companies the security of which are listed on any securities market in Hong Kong or overseas during the Track Record Period.

### SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of our Group:

Name	Age	Present position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Family relationship with other Director(s) and/or senior management
Leung Chi Hung (梁志雄)	55	Site Engineer	January 2015	January 2015	Supervising of waterworks and tendering of contracts	None
Law Fu Kwok (羅富國)	54	General Manager	November 2017	November 2017	Supervising the site activities in all construction projects including site management, coordination and liaison with customers, contractors and sub-contractors	Brother of Mr. Law
Mok Yu Ting (莫裕庭)	41	Chief Financial Officer and Company Secretary	January 2018	January 2018	Overseeing our Group's financial and treasury management	None

**Mr. Leung Chi Hung (梁志雄) (“Mr. Leung”)**, aged 55, is currently a site engineer of our Group. Mr. Leung joined Ming Shing in January 2015, and his duties focus on supervising of waterworks and tendering of contracts. He is recognised by Development Bureau as the technical person responsible for the Group A (Probation) contractor under the waterworks category on the List of Approved Contractors for Public Works. Mr. Leung obtained his Bachelor Degree of Engineering in Civil Engineering from the University of Leeds, the United Kingdom in July 1989.

Mr. Leung has over 20 years of work experience in the construction industry. He joined Dragages et Travaux Publics as a trainee quantity surveyor in December 1989. Mr. Leung then worked in Hop Shing Transport and Construction Company as a site engineer in June 1990. Upon leaving his position at Hop Shing Transport and Construction Company in November 1993, he served as a site engineer at Hop Shing (Hin Kee) Engineering Company Limited until June 1995 and as a site agent from July 1995 to August 1996. After that, Mr. Leung joined Yiu Wing Construction Company Limited as a site agent from August 1996 to July 1999. From August 1999 to November 2000, he served as a site agent at Choi Kee

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Construction Company. Mr. Leung served Full House Construction & Engineering Company Limited as a technical director from October 1999 to January 2003. Mr. Leung then worked as a project manager for Oops Limited between January 2003 and November 2003. In December 2003, Mr. Leung worked as a consultant in Shing Hing Construction Company Limited until December 2014.

Mr. Leung is qualified as an authorized person to work on/near 25kV Overhead Line Equipment since July 2007 up to July 2010.

**Mr. Law Fu Kwok** (羅富國) (“**Mr. Chris Law**”), aged 54, is currently a general manager of our Group. Mr. Chris Law joined Ming Shing in November 2017, and his duties focus on supervising the site activities in all construction projects including site management, coordination and liaison with customers, contractors and sub-contractors. He obtained his bachelor degree of Science in Civil Engineering from the Bulacan State University, Republic of the Philippines in March 2015.

Mr. Chris Law has approximately 29 years of work experience in the construction industry. He commenced as a works supervisor in 1988 to 1989 in Dixon Civil Engineering Limited and became a foreman for Aoki Corporation from January 1990 to October 1991. He then became a site agent for Yuen Cheong Construction Company between October 1991 and April 1993. Mr. Chris Law then secured an employment in the Hong Kong International Construction Investment Management Group, serving three subsidiaries of the group including Tysan Foundation Limited, Tysan Foundation Geotechnical Limited and Tysan Construction (Macau) Limited during February 1995 to November 2017 where his last position in the group was an assistant senior construction manager.

Mr. Chris Law is the brother of Mr. Law.

**Mr. Mok Yu Ting** (莫裕庭) (“**Mr. Mok**”), aged 41, has been the chief financial officer of our Group and the company secretary since January 2018 of our Company. Mr. Mok is responsible for our Company’s financial and treasury management.

Mr. Mok obtained a bachelor degree of business administration in accounting from The Hong Kong University of Science and Technology in November 1999 and further obtained a master degree in corporate finance from The Hong Kong Polytechnic University in December 2006 and a master of laws degree in Chinese business law from The Chinese University of Hong Kong Graduate School in June 2009. Mr. Mok is a member of the Hong Kong Institute of Certified Public Accountants since January 2006 and a member of the Association of Chartered Certified Accountants since December 2004 and also became a fellow member in December 2009.

Mr. Mok has approximately 18 years of experience in auditing, accounting and financial management. Mr. Mok started his career at PKF Certified Public Accountants as an accountant from August 1999 to February 2002. Mr. Mok worked in Charles Chan, Ip & Fung CPA Limited (currently known as CCIF CPA Limited) from August 2002 to February 2004 with his last position held as an intermediate auditor. He then re-joined the same firm from May 2004 to December 2004 with his last position held as semi-senior auditor. After

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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which, Mr. Mok worked at Ernst & Young from December 2004 to April 2006 as a senior accountant. He then joined Joynn Holdings Limited (subsequently known as Chinasing Investment Holdings Limited), a company formerly listed in Singapore, as a financial controller from August 2006 to April 2008. In March 2008, Mr. Mok became the financial controller and company secretary of Sino-Life Group Limited, a company which is listed on the GEM of the Stock Exchange of Hong Kong (Stock Code: 8296). He resigned therefrom in January 2018 to join our Group.

### **COMPANY SECRETARY**

Mr. Mok was appointed as the company secretary of our Company on 6 February 2018. For his biographical details, please refer to the paragraph headed “Senior management” in this section.

Save as disclosed, each of the senior management and the company secretary of our Company has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

### **BOARD COMMITTEES**

#### **Audit Committee**

Our Company established an Audit Committee on 8 October 2018 with its written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to our Board.

Our Audit Committee consists of three members, being Ms. Li On Lei, Mr. Law Kam Chuen and Ms. Shum Wing Ting. Ms. Li On Lei currently serves as the chairman of our Audit Committee.

#### **Remuneration Committee**

Our Company established a Remuneration Committee on 8 October 2018 with its written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration of our Directors and senior management.

Our Remuneration Committee consists of five members, being Mr. Law, Ms. Cheng, Ms. Li On Lei, Mr Law Kam Chuen and Ms. Shum Wing Ting. Mr Law Kam Chuen currently serves as the chairman of our Remuneration Committee.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### **Nomination Committee**

Our Company established a Nomination Committee on 8 October 2018 with its written terms of reference by reference to the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our Nomination Committee consists of five members, being Mr. Law, Ms. Cheng, Ms. Li On Lei, Mr Law Kam Chuen and Ms. Shum Wing Ting. Mr. Law currently serves as the chairman of our Nomination Committee.

### **Roles of Chairman and chief executive officer performed by the same individual**

Pursuant to Code Provision A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Law is currently our Chairman and chief executive officer, responsible for overall strategic development, project management and client management of our Group. Our Board believes that vesting the roles of both Chairman and chief executive officer in Mr. Law has the benefit of ensuring consistent and continuous leadership within our Group and also maximises the effectiveness and efficiency of overall planning and execution of our strategies. Our Board considers that the balance of power and authority, accountability and independent decision-making under our present arrangement will not be impaired in light of the diverse background and experience of our independent non-executive Directors, and the composition of our Board which comprises more number of independent non-executive Directors than executive Directors also provides added independence to our Board. Further, our Audit Committee composed exclusively of independent non-executive Directors has free and direct access to our Company's external auditors and independent professional advisers when it considers necessary.

In order to maintain good corporate governance and fully comply with Code Provision A.2.1 of Appendix 14 to the Listing Rules, our Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

### **COMPLIANCE ADVISER**

Our Company has appointed Frontpage Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser (when consulted) will advise our Company on the following matters:

- (i) the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment of our compliance adviser shall commence on the Listing Date and end on the date on which our Company distributes our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

### DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 was approximately HK\$263,000, HK\$353,000, HK\$404,000 and HK\$351,000, respectively.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to the above senior management of our Group for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 was approximately HK\$95,000, HK\$96,000, HK\$547,000 and HK\$460,000, respectively.

The aggregate amount of contributions to retirement benefits scheme paid by our Group to our Directors for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 was approximately HK\$13,000, HK\$15,000, HK\$17,000 and HK\$11,000, respectively.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group. Further details of the remuneration of our Directors are set out in the section headed "Statutory and General Information – C. Further information about substantial Shareholders, Directors and experts – 3. Directors' remuneration" in Appendix IV to this prospectus.

The emoluments paid to our Group's five highest paid individuals (including Directors) in aggregate for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 was approximately HK\$1,420,000, HK\$3,045,000, HK\$3,774,000 and HK\$1,334,000, respectively. During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Note 7 in the Accountants' Report set out in Appendix I to this prospectus.

### **MANDATORY PROVIDENT FUND SCHEME**

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions as at the Latest Practicable Date. Save for the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

### **SHARE OPTION SCHEME**

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of our Shareholders passed on 8 October 2018. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.



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## SHARE CAPITAL

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### SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the Share Offer will be as follows:

*Authorised share capital:*

	<i>HK\$</i>
<u>3,000,000,000</u> Shares	<u>30,000,000</u>

*Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:*

	<i>HK\$</i>
100 Shares in issue at the date of this prospectus	1
1,199,999,900 Shares to be issued pursuant to the Capitalisation Issue	11,999,999
<u>400,000,000</u> Shares to be issued pursuant to the Share Offer	<u>4,000,000</u>
<u>1,600,000,000</u> Total	<u>16,000,000</u>

### RANKING

The Offer Shares will rank identical in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify 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 Listing.

### CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 8 October 2018, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 1,199,999,900 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company at the close of business on 8 October 2018 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$11,999,999 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.



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## SHARE CAPITAL

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### GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase shares” in this section below.

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

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 8 October 2018” in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital

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## SHARE CAPITAL

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in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 8 October 2018” and headed “Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at the Latest Practicable Date.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” set out in Appendix III to this prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

### Long position in the Shares

Name	Capacity/ Nature of interest	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding in our Company immediately following completion of the Capitalisation Issue and the Share Offer
Miracle Investments	Beneficial owner ( <i>Note 1</i> )	1,200,000,000	75%
Mr. Law	Interest of a controlled corporation ( <i>Note 1</i> )	1,200,000,000	75%
Ms. Cheng	Interest of spouse ( <i>Note 2</i> )	1,200,000,000	75%

*Notes:*

1. The issued share capital of Miracle Investments is fully owned by Mr. Law. Therefore, Mr. Law is deemed, or taken to be, interested in all Shares held by Miracle Investments for the purpose of the SFO. Mr. Law is the sole director of Miracle Investments.
2. Ms. Cheng is the spouse of Mr. Law. Accordingly, Ms. Cheng is deemed, or taken to be, interested in the Shares which Mr. Law is interested in for the purpose of the SFO.
3. The date of filing of the application proof of this prospectus and prior to completion of the Reorganisation.

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

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and development will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, please refer to the section headed "Risk Factors" in this prospectus.*

### OVERVIEW

We are a contractor which has a long history of undertaking civil engineering works in Hong Kong with operation history since 1997. During the Track Record Period, a majority of our civil engineering works can be broadly categorised as (i) site formation; (ii) ELS and pile cap construction; and (iii) roads and drainage and waterworks. We are able to undertake civil engineering works either as a main contractor or a subcontractor. We are registered on the Approved Contractors List maintained by the Development Bureau in the categories of Site Formation (Group B (Probation)), Roads and Drainage (Group B (Probation)) and Waterworks (Group A (Probation)), which enable us to directly tender for public works contracts in these works categories and groups for which we are approved. Since June 2017, our Group has also been registered as a Registered General Building Contractor with the Buildings Department and as such, our Group is qualified to carry out private sector building works as well as A&A works as a main contractor.

Most of our revenue was derived from civil engineering projects during the Track Record Period. We completed a total of 20 projects during the Track Record Period and 1 project subsequent to the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we have 16 projects in progress and based on the contracts on hand, total outstanding contract sum (i.e. the initial contract sum plus certified value of variation orders) amounted to approximately HK\$536,091,000, of which approximately HK\$315,175,000 is expected to be recognised for the eight months ending 31 December 2018 and the remaining is expected to be recognised after the year ending 31 December 2018.

We recognised revenue of approximately HK\$236,679,000, HK\$359,441,000, HK\$397,349,000 and HK\$74,446,000 and net profit of approximately HK\$14,211,000, HK\$28,467,000, HK\$45,611,000 and net loss of approximately HK\$1,335,000 for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively.

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## FINANCIAL INFORMATION

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### **BASIS OF PRESENTATION**

Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group on 6 February 2018. The members of our Group have been under the control of Mr. Law throughout the Track Record Period or since their respective dates of incorporation or establishment where this is a shorter period. Our Group comprising our Company and our subsidiaries resulting from the Reorganisation is regarded as a continuity entity. Accordingly, the financial statements of our Group have been prepared on the basis as if the current group structure had been in existence throughout the Track Record Period, using the principles of merger accounting as set out below.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows include the results and cash flows of the companies now comprising our Group throughout the Track Record Period or since their respective dates of incorporation or establishment where this is a shorter period. The consolidated statements of financial position of our Group as at 31 December 2015, 2016 and 2017 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at those dates.

Our Directors have adopted the HKFRSs in the preparation of the consolidated financial statements of our Company and our subsidiaries now comprising our Group for the Track Record Period.

### **FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS**

Our results of operations and financial condition have been and will continue to be affected by a number of factors, many of which may be beyond our control. Our Directors have identified the risk factors that will affect our results of operations and financial conditions in the section headed “Risk Factors” of this prospectus as well as the following factors:

#### **Hong Kong’s economic condition and demand for construction activities**

We derive our revenue mainly from the provision of civil engineering and building works for both public and private sectors, the demand of which relates to the number of infrastructure projects and the number of property development projects where we provide our services. Such demand may vary according to a combination of factors including Government spending, demand of housing and infrastructure which drives the planning for construction, the supply of land, and the general conditions as well as the prospect of the economy. The increase or decrease in the demand for construction activities would therefore affect the demand of our services and the competition environment where we operate. There

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## FINANCIAL INFORMATION

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is no assurance that the number of construction projects in Hong Kong would decrease which may in turn adversely and materially affect our business in general and our results of operation.

### Fluctuation in our direct costs

Our key direct costs in the provision of our construction activities are, among others, (i) subcontracting charges; (ii) cost of construction materials; and (iii) direct labour costs. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the aggregate of subcontracting charges, cost of construction materials and direct labour costs represented 99.6%, 98.6%, 96.5% and 91.1% of our total direct costs, respectively. For the details of the components comprising our direct costs, please refer to the paragraph headed “Description of selected components of our consolidated statements of profit or loss and other comprehensive income – Direct costs” in this section.

Concrete, steel, pipes and metal wares are construction materials primarily employed in our construction projects, which we purchase from suppliers or are provided by our customers (i.e. the main contractor in the case we are the subcontractor) under a contra-charge arrangement. We may also rent the machinery from third parties which are necessary to perform our works.

Fluctuation in any of the aforesaid costs will directly affect our profit during the implementation of our construction works. In the event that the direct costs increase unexpectedly to a level that we have to incur substantial extra costs, and if we are not compensated for such unexpected increase, our financial performance and profitability will be adversely affected.

To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit for the respective year with a 16.4% and 8.2% increase or decrease in subcontracting charges, which corresponds to the approximate CAGR in average daily wage of workers from 2012 to 2017 as shown in the Ipsos Report and is therefore considered reasonable for the purpose of this sensitivity analysis:

<b>Hypothetical fluctuation in subcontracting charges</b>	<b>(16.4)%</b>	<b>(8.2)%</b>	<b>8.2%</b>	<b>16.4%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Increase/(decrease) in profit before income tax</i>				
For the year ended 31 December 2015	22,125	11,062	(11,062)	(22,125)
For the year ended 31 December 2016	24,164	12,082	(12,082)	(24,164)
For the year ended 31 December 2017	33,191	16,596	(16,596)	(33,191)
For the four months ended 30 April 2018	5,762	2,881	(2,881)	(5,762)

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## FINANCIAL INFORMATION

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To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit for the respective year with a 4.9% and 0.3% increase or decrease in costs of construction materials, which corresponds to the approximate CAGR in the price of steel reinforcements and cement (which is a major ingredient of concrete), respectively, from 2012 to 2017 as shown in the Ipsos Report and is therefore considered reasonable for the purpose of this sensitivity analysis:

<b>Hypothetical fluctuation in cost of construction materials</b>	<b>(4.9)%</b>	<b>(0.3)%</b>	<b>0.3%</b>	<b>4.9%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Increase/(decrease) in profit before income tax</i>				
For the year ended 31 December 2015	3,917	240	(240)	(3,917)
For the year ended 31 December 2016	7,812	478	(478)	(7,812)
For the year ended 31 December 2017	4,747	291	(291)	(4,747)
For the four months ended 30 April 2018	657	40	(40)	(657)

To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit for the respective year with a 16.4% and 8.2% increase or decrease in direct labour costs, which corresponds to the approximate CAGR in average daily wage of workers from 2012 to 2017 as shown in the Ipsos Report and is therefore considered reasonable for the purpose of this sensitivity analysis:

<b>Hypothetical fluctuation in direct labour costs</b>	<b>(16.4)%</b>	<b>(8.2)%</b>	<b>8.2%</b>	<b>16.4%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Increase/(decrease) in profit before income tax</i>				
For the year ended 31 December 2015	251	125	(125)	(251)
For the year ended 31 December 2016	2,223	1,112	(1,112)	(2,223)
For the year ended 31 December 2017	4,499	2,249	(2,249)	(4,499)
For the four months ended 30 April 2018	2,015	1,007	(1,007)	(2,015)

### **Collectability of our trade receivables and retention receivables and their timing of collection**

We normally apply progress payments to our customers on a monthly basis with reference to the value of work done in the previous period, during which we may have incurred costs and settled certain payments to our suppliers or service providers. Before paying progress payment to us, our customers would certify our work done and a portion of the progress payments, ranging from 1% to 10%, is usually withheld by our customers as retention money. The retention money will only be remitted to us after completion of the



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## FINANCIAL INFORMATION

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projects and upon the lapse of the defects liability period. Accordingly, we may experience significant cashflow mismatch, especially at the beginning of a construction project when we normally have cash outflows meeting our payment obligations before our customers certify our works and make progress payment to us. As (i) it is common for our projects to incur upfront costs and expenses for our suppliers and subcontractors before substantial value of work is certified by our customers. Our customers generally make the first payment to us around three to four months after we incur initial cash outlay at early stage of a project; (ii) the cash inflows of the sizeable projects which are of usually longer contract period are expected to be slower; and (iii) it is common that the main contractor is required to take out surety bonds in the amount equal to a certain percentage (usually 10%) of the contract sum to the customers to ensure the contractor's due performance and observance of the contract, and the surety bonds are generally released only after the contract is practically completed. We may also be subject to considerable credit risk and there can be no assurance that the trade receivables and retention receivables will be settled and remitted to us by our customers on a timely basis and in full. As at 30 April 2018, our trade receivables amounted to approximately HK\$43,236,000. Any late payment to us, whether arising from payment practice of our customers or delay in completion of the construction project, may adversely affect our future liquidity position.

### CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our Group has identified certain accounting policies that are significant to the preparation of the consolidated financial information in accordance with the HKFRSs. These significant accounting policies which we believe are important for an understanding of the financial condition and results of operation of our Group. For more details regarding other accounting policies, please refer to the Accountants' Report in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. We have identified below accounting policies and estimates that are most critical to the preparation of our consolidated financial information.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

##### *(i) Construction contract revenue*

In accordance with HKAS 11 "Construction Contracts", for the years ended 31 December 2015, 2016 and 2017, revenue from construction contracts was recognised based on the stage of completion of the contracts, provided that the stage of completion and the contract costs of the contracting works can be measured reliably. The stage of completion of a contract is established with reference to the proportion that the work performed to date to the estimated total contract revenue. For the projects which we submit regular payment



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applications to our customers, we recognise the revenue to the extent which our works are approved or certified by our customers with reference to the activities performed in the previous month/period which were inspected by our customers from time to time. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs shall be recognised as an expense in the period in which they are incurred.

*(ii) Interest income*

Interest income is recognised as it accrues using the effective interest method.

*(iii) Rental income from lease of machinery*

Rental income receivable from lease of machinery is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

*(iv) Management fee income*

Management fee income is recognised when the services are rendered.

### **Construction contracts**

In accordance with HKAS 11 “Construction Contracts”, construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

As at 31 December 2015, 2016, 2017 and 30 April 2018, construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the consolidated statements of financial position as the “gross amount due from customers for contract work” (as an asset) or the “gross amount due to customers for contract work” (as a

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liability), as applicable. Progress billings not yet paid by the customer are included under “trade and other receivables”. Amounts received before the related work is performed are included under “trade and other payables”.

HKFRS 15 “Revenue from Contracts with Customers” is effective for annual periods beginning on or after 1 January 2018 and supersedes HKAS 11.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method, i.e. based on the stage of completion of the contracts, provided that the stage of completion of a contract is established according to the progress certificate (by reference to the amount of completed works confirmed by customers) issued by the customers.

The likelihood of our Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

Revenue for construction contracts was recognised on a similar basis in the comparative period under HKAS 11.

### **Impairment loss for bad and doubtful debts**

Our Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. Our Group reassesses the impairment allowances at the end of each reporting period.

### **Direct costs**

Revenue recognition of a construction project is dependent on our estimation of the total outcome of the construction contracts, with reference to the progress payment applications submitted by us and the progress payment certificates issued by our customers. We review and revise the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the project progresses. Budgeted costs are prepared by our management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budgeted costs accurate and up-to-date, we conduct periodical reviews of the

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budgeted costs by comparing the budgeted amount to the actual costs incurred. Significant judgment is required in estimating the contract revenue, contract costs and variation works which may have an impact on the percentage of completion of the project and the corresponding profit taken.

### **Application of new Hong Kong Financial Reporting Standards (“HKFRSs”)**

Our Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. For details, please refer to Note 1(a) of the Accountants’ Report set out in Appendix I to this prospectus.

#### ***HKFRS 15 “Revenue from Contracts with Customers”***

HKFRS 15 replaces HKAS 18 “Revenue”, which covered revenue arising from sale of goods and rendering of services, and HKAS 11 “Construction Contracts”, which specified the accounting for construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Our Directors have assessed the effects of applying the new standards on our Group’s financial statements and have identified the following areas that affected our Group:

##### *(i) Timing of revenue recognition*

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. Note 1(a) of the Accountants’ Report provides further details as to when control of the promised good or service is regarded as being transferred over time.

##### *(ii) Timing of recognition of contract costs*

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

Previously, contract costs of our Group are recognised by reference to the stage of completion of the contract, which is measured by reference to the percentage of the estimated total revenue for contracts entered into by our Group that have been

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performed to date. Under HKFRS 15, costs incurred at the initial stage that generate or enhance resources to be utilised subsequently in fulfilling the performance obligation will be recognised as contract assets to be amortised on a systematic basis with the transfer to the customer of the services to which assets relates, while contract costs that related to satisfied performance obligations are expensed as incurred.

Based on the preliminary assessment, the continual use of output method under HKFRS 15 in measuring the percentage of completion is not expected to significantly affect the timing and amount of revenue recognition upon adoption. On the other hand, HKFRS 15 includes contract cost guidance that could result in a change in the measurement and recognition of contract costs as compared to the accounting policy previously adopted by our Group. For the incremental costs of obtaining a contract with a customer and the cost related directly to a contract or an anticipated contract, such as set up costs, that generate or enhance resources to fulfill the future performance, our Group shall recognise this as an asset and amortise such asset over the period of contract performance. Our Group will no longer be able to defer costs if the performance obligation qualifies for over-time recognition unless such costs qualify for capitalisation based on either the costs to obtain or costs to fulfill the contract guidance, meaning costs relating to the satisfied performance obligation will be expensed as incurred. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity in accordance with the current standard while costs incurred in satisfying a performance obligation are charged to expense as incurred under HKFRS 15.

Since our Group will continue to use output method to measure progress, which is other than cost-to-cost methods, this will likely result in uneven margins in individual reporting periods over the life of the contract. For details, please refer to Note 1(a) of the Accountants' Report set out in Appendix I to this prospectus.

We have been advised by the Reporting Accountants and assessed the effects of the adoption of HKFRS 15 and HKFRS 9 on our consolidated financial statements and identified the following areas that have been affected:

- As at 30 April 2018, contract assets of approximately HK\$45,479,000, were recognised when our Group recognises receivables before being unconditionally entitled to the consideration under the payment terms set out in contract under HKFRS 15. However, they would recognise as gross amounts due from customers for contract work as an asset when the costs incurred plus recognised profits (loss recognised losses) exceed progress billings under HKAS 11.
- Presentation of contract assets and contract liabilities in the balance sheet. HKFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This has resulted in some reclassifications in relation to our unsatisfied performance obligations. As at 30 April 2018, contract liabilities of approximately HK\$458,000 should have been presented as other payables under HKAS 11.

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Taking into account the impact disclosed above, we consider that the adoption of HKFRS 15 and HKFRS 9 did not have significant impact on our financial position and performance.

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

A summary of our Group's consolidated statements of profit or loss and other comprehensive income for the periods indicated, as extracted from the Accountants' Report included as Appendix I to this prospectus is set forth below:

	For the year ended 31 December			For the four months ended 30 April	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
				<i>(Unaudited)</i>	
<b>Revenue</b>	236,679	359,441	397,349	70,294	74,446
Direct costs	<u>(217,152)</u>	<u>(324,906)</u>	<u>(338,534)</u>	<u>(65,522)</u>	<u>(66,802)</u>
<b>Gross profit</b>	19,527	34,535	58,815	4,772	7,644
Other income	131	3,433	4,288	490	728
General and administrative expenses	<u>(3,033)</u>	<u>(3,895)</u>	<u>(7,168)</u>	<u>(1,133)</u>	<u>(8,341)</u>
<b>Profit from operation</b>	16,625	34,073	55,935	4,129	31
Finance costs	<u>(14)</u>	<u>(6)</u>	<u>(703)</u>	<u>(70)</u>	<u>(353)</u>
<b>Profit/(loss) before taxation</b>	16,611	34,067	55,232	4,059	(322)
Income tax	<u>(2,400)</u>	<u>(5,600)</u>	<u>(9,621)</u>	<u>(670)</u>	<u>(1,013)</u>
<b>Profit/(loss) and total comprehensive income for the year/period</b>	<u>14,211</u>	<u>28,467</u>	<u>45,611</u>	<u>3,389</u>	<u>(1,335)</u>

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### DESCRIPTION OF SELECTED COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

Our revenue is principally generated from the provision of construction activities, which can be broadly categorised as (i) site formation; (ii) ELS and pile cap construction; (iii) roads and drainage and waterworks; and (iv) building works. The following table sets forth the breakdown of our revenue by nature of works during the Track Record Period:

	For the year ended			For the four	
	31 December			months ended	
	2015	2016	2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>				
<b>Civil engineering works</b>					
Site formation	19,920	10,365	98,027	14,626	30,819
ELS and pile cap construction	159,546	344,277	197,617	49,601	17,454
Roads and drainage and waterworks	<u>57,213</u>	<u>4,799</u>	<u>78,348</u>	<u>6,067</u>	<u>17,571</u>
<b>Building works</b>					
Building and A&A works	<u>–</u>	<u>–</u>	<u>23,357</u>	<u>–</u>	<u>8,602</u>
Total	<u><u>236,679</u></u>	<u><u>359,441</u></u>	<u><u>397,349</u></u>	<u><u>70,294</u></u>	<u><u>74,446</u></u>

We undertake construction projects as either the main contractor or subcontractor, the following table sets forth a breakdown of revenue derived from main contractor's or subcontractor's works during the Track Record Period:

	For the year ended			For the four	
	31 December			months ended	
	2015	2016	2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>				
Main contractor	–	13,985	65,194	19,514	17,699
Subcontractor	<u>236,679</u>	<u>345,456</u>	<u>332,155</u>	<u>50,780</u>	<u>56,747</u>
Total	<u><u>236,679</u></u>	<u><u>359,441</u></u>	<u><u>397,349</u></u>	<u><u>70,294</u></u>	<u><u>74,446</u></u>

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During the Track Record Period, we were involved in 32 construction projects, of which 20 were completed during the Track Record Period, and 12 were ongoing as at the end of the Track Record Period. The table below sets out a list of projects which contributed revenue to our Group during the Track Record Period:

No.	Code	Site Location	Type of works	Revenue recognised before the Track Record Period	Revenue recognised for the year ended 31 December			Revenue recognised for the four months ended 30 April 2018	Accumulative revenue recognised during the Track Record Period	Percentage of completion as at 30 April 2018
				HKS'000	2015 HKS'000	2016 HKS'000	2017 HKS'000	HKS'000	HKS'000	%
1	Job 1	Sai Kung District	ELS and pile cap construction	-	101,665	63,325	-	-	164,990	100.0
2	Job 2	Pak Shek Kok, Tai Po District	Site formation	-	12,478	-	-	-	12,478	100.0
3	Job 3	Tseung Kwan O, Sai Kung District	ELS and pile cap construction	-	15,554	-	228	-	15,782	100.0
4	Job 4	Pak Shek Kok, Tai Po District	Site formation	-	7,442	-	-	-	7,442	100.0
5	Job 5	A planned performing arts complex located at Kowloon Bay	Roads and drainage and waterworks	-	-	1,179	-	-	1,179	100.0
6	Job 6	So Kwun Wat, Tuen Mun District	ELS and pile cap construction	-	-	60,395	172,398	-	232,793	100.0
7	Job 7	A public hospital located at Kwun Tong	ELS and pile cap construction	-	-	25,916	7,647	2,118	35,681	65.0
8	Job 8	Hong Kong, Zhuhai, Macau Bridge, Tung Chung, the Islands District	Roads and drainage and waterworks	-	57,212	-	-	-	57,212	100.0
9	Job 9	Kai Tak, Kowloon City District	ELS and pile cap construction	-	21,280	41,174	-	-	62,454	100.0
10	Job 10	Mui Wo, the Islands District	Roads and drainage and waterworks	-	-	3,620	19,790	9,651	33,061	67.9
11	Job 11	Sha Tin District	Site formation	-	-	10,365	45,404	8,048	63,817	68.6
12	Job 12	Hung Hom, Kowloon City District	ELS and pile cap construction	-	-	23,865	594	-	24,459	100.0
13	Job 13	Lei Yue Mun, Yau Tong	ELS and pile cap construction	-	-	2,630	2,387	-	5,017	100.0
14	Job 14	Kau To Shan, Sha Tin District	ELS and pile cap construction	-	19,120	107,186	-	-	126,306	100.0
15	Job 15	Yuen Long Industrial Estate, Yuen Long District	ELS and pile cap construction	-	1,928	19,786	-	-	21,714	100.0
16	Job 16	Kau To Shan, Sha Tin District	Roads and drainage and waterworks	-	-	-	2,942	2,176	5,118	100.0
17	Job 17	Castle Peak Bay, Tuen Mun District	Roads and drainage and waterworks	-	-	-	8,500	1,380	9,880	63.0
18	Job 18	Proposed terminal facilities located at Tuen Mun	Roads and drainage and waterworks	-	-	-	16,157	-	16,157	100.0
19	Job 19	Kau To Shan, Sha Tin District	Building works	-	-	-	20,387	1,547	21,934	100.0
20	Job 20	Fill bank located at Tuen Mun	Site formation	-	-	-	52,623	22,770	75,393	53.3
21	Job 21	Power station located at Lamma Island	Roads and drainage and waterworks	-	-	-	3,370	4,364	7,734	16.0
22	Job 22	Tsuen Wan West, Tsuen Wan District	Roads and drainage and waterworks	-	-	-	323	-	323	100.0
23	Job 23	Po Fu Lam Road, Western District	ELS and pile cap construction	-	-	-	11,429	-	11,429	100.0
24	Job 24	A public housing estate located at Wong Tai Sin District	Roads and drainage and waterworks	-	-	-	996	-	996	100.0
25	Job 25	Hong Kong, Zhuhai, Macau bridge, Tung Chung, the Islands District	Roads and drainage and waterworks	-	-	-	25,560	-	25,560	100.0
26	Job 26	Chai Wan, Eastern District and Ma On Sha, Shatin	Roads and drainage and waterworks	-	-	-	711	-	711	100.0
27	Job 27	Tseung Kwan O, Sai Kung District	ELS and pile cap construction	-	-	-	2,933	7,127	10,060	13.7
28	Job 29	To Kwa Wan, Kowloon City District	Building works	-	-	-	2,970	5,348	8,318	16.2
29	Job 30	Ho Man Tin, Kowloon City District	ELS and pile cap construction	-	-	-	-	4,600	4,600	22.7
30	Job 31	Tai Kok Tsui, Yan Tsim Mong District	ELS and pile cap construction	-	-	-	-	2,283	2,283	7.8
31	Job 32	Tuen Mun District	ELS and pile cap construction	-	-	-	-	1,707	1,707	11.9
32	Job 33	Kowloon City District	ELS and pile cap construction	-	-	-	-	1,327	1,327	23.4
				-	236,679	359,441	397,349	74,446	1,067,915	

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### Direct costs

The following table sets out the breakdown of our Group's direct costs during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>									
Subcontracting charges	134,906	62.1	147,344	45.3	202,386	59.8	47,504	72.5	35,134	52.6
Cost of construction materials	79,945	36.8	159,420	49.1	96,871	28.6	12,467	19.0	13,417	20.1
Direct labour costs	1,528	0.7	13,558	4.2	27,433	8.1	4,964	7.6	12,285	18.4
Other direct costs	773	0.4	4,584	1.4	11,844	3.5	587	0.9	5,966	8.9
	<u>217,152</u>	<u>100.0</u>	<u>324,906</u>	<u>100.0</u>	<u>338,534</u>	<u>100.0</u>	<u>65,522</u>	<u>100.0</u>	<u>66,802</u>	<u>100.0</u>

### Cost of construction materials

Cost of construction materials mainly represents direct costs for the purchase of construction materials, such as steel, concrete, pipes and metal wares, that are directly attributed to our project works. Consumption of construction materials and their costs may vary from project to project, as (i) the consumption of raw materials vary according to different types of works performed, for example, the use of steel is usually higher in ELS and pile cap construction works than in site formation works; and (ii) the cost of construction materials may be agreed to be borne by us or by our customers or subcontractors depending on our contract terms with different customers and subcontractors, resulting in fluctuations in the proportions of these costs from project to project. Cost of materials agreed to be borne by our subcontractors is also generally reflected in the subcontracting charges. During the year ended 31 December 2016, the increase in cost of construction materials was mainly due to the increase in the number of sizeable projects undertaken. During the year ended 31 December 2017, the decrease in cost of construction materials was mainly due to the projects in Sai Kung (Job 1) and Hung Hom (Job 12) which undertook by our own staff and machinery were completed during the year ended 31 December 2016. During the four months ended 30 April 2018, our cost of construction materials as a percentage of total direct costs decreased as more works were related to site formation than ELS and pile cap construction than as compared to the year ended 31 December 2017.

### Direct labour costs

Direct labour costs represent salaries and benefits to our staff who are directly involved in the provision of our construction works. To cope with increasing workload posed by our business expansion, we have deployed more labour to carry out civil engineering works and project management throughout the Track Record Period.



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### **Subcontracting charges**

Subcontracting charges represent fees paid to our subcontractors, which performed the works subcontracted by us. Our increasing subcontracting charges during the Track Record Period was primarily due to the increase in value of works subcontracted which was in line with the increase in number of sizeable contracts undertaken by us and the revenue recognised during the respective year. During the year ended 31 December 2016, our subcontracting charges as a percentage of total direct costs decreased mainly because we undertook substantial ELS works with our own staff and machinery for the projects in Sai Kung (Job 1) and Hung Hom (Job 12), which had resulted in a higher proportion of direct labour costs and other direct costs as compared with other periods. During the year ended 31 December 2017, our subcontracting charges as a percentage of total direct cost increased mainly because we undertook substantial ELS work by our subcontractor for the project in So Kwun Wat (Job 6), which had resulted in a higher proportion of subcontracting charges as compared with the periods. During the four months ended 30 April 2018, subcontracting charges as a percentage of total direct costs decreased mainly because we undertook substantial site formation works with our own staff and machinery for the projects in Tuen Mun (Job 20) and Sha Tin District (Job 11).

### **Other direct costs**

Other direct costs include less significant and/or miscellaneous direct costs for carrying out the works undertaken by us, which mainly include the rental of machinery, depreciation of our site equipment, travelling and consumables used in the site. During the Track Record Period, our other direct costs as a percentage of total direct costs increased mainly due to the additions of a number of machinery and vehicles, which had resulted in a higher depreciation and repair and maintenance expenses throughout the Track Record Period.

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### Gross profit/(loss) and gross profit/(loss) margin

The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margin by type of works and the business sectors during the Track Record Period:

#### Gross profit/(loss)

	For the year ended			For the four	
	31 December			months ended	
	2015	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
<b>Civil engineering works</b>					
Site formation	1,357	1,866	14,023	2,633	2,217
ELS and pile cap construction	18,589	31,932	29,796	1,142	2,048
Roads and drainage and waterworks	<u>(419)</u>	<u>737</u>	<u>11,640</u>	<u>997</u>	<u>2,569</u>
<b>Building works</b>					
Building and A&A works	<u>–</u>	<u>–</u>	<u>3,356</u>	<u>–</u>	<u>810</u>
<b>Total</b>	<u><u>19,527</u></u>	<u><u>34,535</u></u>	<u><u>58,815</u></u>	<u><u>4,772</u></u>	<u><u>7,644</u></u>

	For the year ended			For the four	
	31 December			months ended	
	2015	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Private sector	19,642	30,820	37,019	1,070	3,126
Public sector	<u>(115)</u>	<u>3,715</u>	<u>21,796</u>	<u>3,702</u>	<u>4,518</u>
	<u><u>19,527</u></u>	<u><u>34,535</u></u>	<u><u>58,815</u></u>	<u><u>4,772</u></u>	<u><u>7,644</u></u>

For the year ended 31 December 2015, our roads and drainage and waterworks segment and private sector segment recorded gross loss of approximately HK\$419,000 and HK\$115,000, respectively. The loss was mainly attributable to the project located at Hong Kong, Zhuhai, Macau Bridge (Job 8), which was early terminated between the main contractor and our Group in around December 2015, as we settled the payments to our subcontractor before we may agree the value of our work done with our customer later. For details of the termination of Job 8, please refer to the section headed “Business – Pricing strategy” of this prospectus.

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### *Gross profit margin*

	<b>For the year ended</b>			<b>For the four</b>	
	<b>31 December</b>			<b>months ended</b>	
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>
	%	%	%	%	%
	<i>(Unaudited)</i>				
<b>Civil engineering works</b>					
Site formation	6.8	18.0	14.3	18.0	7.2
ELS and pile cap construction	11.7	9.3	15.1	2.3	11.7
Roads and drainage and waterworks	(0.7)	15.4	14.9	16.5	14.6
<b>Building works</b>					
Building and A&A works	N/A	N/A	14.4	N/A	9.4
<b>Overall</b>	<b>8.3</b>	<b>9.6</b>	<b>14.8</b>	<b>6.8</b>	<b>10.3</b>

	<b>For the year ended</b>			<b>For the four</b>	
	<b>31 December</b>			<b>months ended</b>	
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>
	%	%	%	%	%
	<i>(Unaudited)</i>				
Private sector	10.9	9.7	15.1	2.3	12.2
Public sector	(0.2)	9.0	14.3	16.1	9.2
<b>Overall</b>	<b>8.3</b>	<b>9.6</b>	<b>14.8</b>	<b>6.8</b>	<b>10.3</b>

During the Track Record Period, our gross profit margin varied across projects. Our project gross profit and gross profit margin depended on a number of factors, including (i) the agreed price; (ii) the nature and complexity of projects that were undertaken by our Group; (iii) the progress of such projects during the relevant financial year; and (iv) our cost control and management. As such, our gross profit margin achieved in a financial year is not an accurate indicator of our gross profit margin that may be achieved in a subsequent financial year. Accordingly, for all of our projects, site formation, ELS and pile cap construction, roads and drainage and waterworks or building and A&A works, public or private, our Directors are of the view that no clear benchmark of profit margin based on our different business segments could be established. It is our Directors' objective to maximise gross profit margin for each project.

Our gross profit margin increased from 8.3% for the year ended 31 December 2015 to 9.6% and 14.8% for the years ended 31 December 2016 and 2017 and fell to 10.3% for the four months ended 30 April 2018, respectively. Such increase was primarily due to some of the projects with relatively high gross profit margin being completed during the years ended 31 December 2016 and 2017. During the years ended 31 December 2016 and 2017, gross

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profit margin for the public sector was generally in line with private sector. For the year ended 31 December 2015, a gross loss was recorded for a public sector project located at Hong Kong, Zhuhai, Macau Bridge (Job 8), which was early terminated between the main contractor and our Group in around December 2015. For the four months ended 30 April 2017, our Group had a relatively lower gross profit margin for the private sector, due to the project at So Kwun Wat (Job 6) which had a large contract sum such that our Group was willing to bid at a lower price. For the detailed discussion on our gross profit margins, please refer to the paragraph headed “Period to period comparison of results of operations” in this section.

### Other income

The following table sets out the nature of other income of our Group during the Track Record Period:

	For the year ended			For the four	
	31 December			months ended	
	2015	2016	2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>				
Management fee income	120	400	400	200	–
Profit from leasing of plant and equipment	–	111	3,860	263	532
Compensation from a customer	–	2,796	–	–	–
Gain on disposal of plant and equipment	–	–	–	–	196
Sundry income	11	126	28	27	–
<b>Total</b>	<b><u>131</u></b>	<b><u>3,433</u></b>	<b><u>4,288</u></b>	<b><u>490</u></b>	<b><u>728</u></b>

Management fee income is the fee earned by our Group for providing supervision services for the main contractor in a project that we acted as the named approved contractor.

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### General and administrative expenses

The following table sets out the breakdown of the general and administrative expenses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>									
Auditor's remuneration	300	9.9	400	10.3	400	5.6	100	8.8	-	-
Depreciation	279	9.2	372	9.5	405	5.6	86	7.6	176	2.1
Insurance	183	6.0	187	4.8	157	2.2	71	6.3	116	1.4
Legal and professional fee	928	30.6	753	19.3	64	0.9	6	0.5	334	4.0
Listing expenses	-	-	-	-	3,469	48.4	-	-	6,646	79.7
Motor car expenses	186	6.1	237	6.1	372	5.2	91	8.0	127	1.5
Operating lease charges:										
– property rentals	300	9.9	300	7.7	300	4.2	100	8.8	100	1.2
Staff costs, including directors' emoluments	664	21.9	1,149	29.5	1,373	19.2	496	43.8	621	7.4
Others	193	6.4	497	12.8	628	8.7	183	16.2	221	2.7
	<u>3,033</u>	<u>100.0</u>	<u>3,895</u>	<u>100.0</u>	<u>7,168</u>	<u>100.0</u>	<u>1,133</u>	<u>100.0</u>	<u>8,341</u>	<u>100.0</u>

### Finance costs

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, our Group incurred finance costs of approximately HK\$14,000, HK\$6,000, HK\$703,000 and HK\$353,000, respectively. The increase in finance costs for the year ended 31 December 2017 was mainly due to the increase in obligations under finance leases as well as loan and overdrafts.

### Income tax

During the Track Record Period, we were subject to Hong Kong Profits Tax for our operation in Hong Kong. The statutory profits tax rate in Hong Kong was 16.5% on assessable profit during the Track Record Period. We have no tax payable in jurisdiction other than Hong Kong during the Track Record Period. Our income tax expense comprised current tax expense and the deferred tax expense. The effective tax rate for the years ended 31 December 2015, 2016 and 2017 was 14.4%, 16.4%, 17.4%, respectively. For the four months ended 30 April 2018, our Group recorded loss before taxation.

There was fluctuation of our Group's tax paid over the Track Record Period. Tax paid amounted to approximately HK\$233,000, nil, HK\$12,630,000 and nil for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. Ming Shing, our principal operating subsidiary, was resolved to change its financial year end date from 30 June to 31 December on 31 December 2014. As a result of the change of financial year end, the timing of Ming Shing's profits tax return filings and tax payment was affected.

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We submitted the profits tax return for the 18 months ended 31 December 2015 to the Inland Revenue Department (the “**IRD**”) in August 2016. The IRD issued in January 2017 the tax assessment for the year of assessment 2015/16 and the tax and provisional tax were paid in March 2017. Our Group submitted the profits tax return for the year of assessment 2016/17 (i.e. year ended 31 December 2016) in July 2017 and the IRD issued tax assessment in August 2017 that aggregate tax and provisional tax amounted to approximately HK\$8,593,000 and our Group settled the tax during the year ended 31 December 2017. There was no dispute between our Group and the IRD regarding any amount of tax. Owing to the above reason, the tax paid for the year ended 31 December 2016 was nil and the tax paid during the year ended 31 December 2017 comprised different instalments for the tax payables for the years of assessment 2015/16 and 2016/17. As at 31 December 2015, 2016, 2017 and 30 April 2018, current tax payable amounted to approximately HK\$2,113,000, HK\$7,295,000, HK\$2,455,000 and HK\$3,554,000, respectively, which are the amount of provision for profits tax for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 net of provisional tax paid and balance of profits tax provision relating to the prior years. Thus, current tax payable may not be the same as the actual amount of tax to be paid within the next financial year.

Our Directors confirm that there has not been any fine or penalty imposed on our Group by the IRD during the Track Record Period and up to the Latest Practicable Date and our Directors were not aware of any disputes/unresolved tax issues with any tax authorities as at the Latest Practicable Date.

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### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

**For the four months ended 30 April 2018 compared with the four months ended 30 April 2017**

#### *Revenue*

Our revenue increased by 5.9% from approximately HK\$70,294,000 for the four months ended 30 April 2017 to approximately HK\$74,446,000 for the four months ended 30 April 2018. The increase of revenue was due to the number of projects we were working increasing from 6 for the four months ended 30 April 2017 to 14 for the four months ended 30 April 2018. The following table summarises the scale of projects we were involved together with the revenue recognised in the respective period as indicated:

<b>Revenue recognised from construction projects</b>	<b>For the four months ended 30 April</b>			
	<b>2017</b>		<b>2018</b>	
	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>
Above HK\$10,000,000	2	58,372	1	22,770
HK\$5,000,001 to HK\$10,000,000	–	–	4	30,174
HK\$1,000,001 to HK\$5,000,000	4	11,922	9	21,502
Below HK\$1,000,001	–	–	–	–
	<u>6</u>	<u>70,294</u>	<u>14</u>	<u>74,446</u>

#### *Direct costs*

Our direct costs increased from approximately HK\$65,522,000 for the four months ended 30 April 2017 to approximately HK\$66,802,000 for the four months ended 30 April 2018. The increase in direct costs was generally consistent with the increase in revenue during the period, except that we reduced subcontracting by deploying more of our labour and machinery and hence subcontracting charges decreased.

#### *Gross profit and gross profit margin*

Our gross profit increased by 60.2% from approximately HK\$4,772,000 for the four months ended 30 April 2017 to approximately HK\$7,644,000 for the four months ended 30 April 2018. Our gross profit margin increased from approximately 6.8% for the four months ended 30 April 2017 to approximately 10.3% for the four months ended 30 April 2018. Such increase in gross profit margin and gross profit was mainly due to the project at So Kwun Wat (Job 6) which was awarded to our Group with a lower profit margin due to its large size and was ongoing during the four months ended 30 April 2017 but had been completed before the four months ended 30 April 2018.

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### *Other income*

Our other income increased from approximately HK\$490,000 for the four months ended 30 April 2017 to approximately HK\$728,000 for the four months ended 30 April 2018, primarily due to gain on disposal of plant and equipment of approximately HK\$196,000 during the period.

### *General and administrative expenses*

Our general and administrative expenses increased from approximately HK\$1,133,000 for the four months ended 30 April 2017 to approximately HK\$8,341,000 for the four months ended 30 April 2018. Such increase was mainly due to the listing expenses of approximately HK\$6,646,000 incurred during the four months ended 30 April 2018 in relation to the Listing.

### *Finance costs*

Our finance costs increased from approximately HK\$70,000 for the four months ended 30 April 2017 to approximately HK\$353,000 for the four months ended 30 April 2018. Such increase was mainly due to the increase in our obligations under finance leases for machinery and motor vehicle purchase and the increase in interest expenses for the new short-term loan and bank loan.

### *Income tax*

Our income tax increased by 51.2% from approximately HK\$670,000 for the four months ended 30 April 2017 to approximately HK\$1,013,000 for the four months ended 30 April 2018. The increase in income tax was mainly due to the increase in profit from operation after excluding the listing expenses which were not tax deductible.

### *Profit for the period and net profit margin*

As a result of the foregoing, our profit for the period was approximately HK\$3,389,000 for the four months ended 30 April 2017 and recorded a net loss of approximately HK\$1,335,000 for the four months ended 30 April 2018. Our net profit margin was 4.8% for the four months ended 30 April 2017, and (1.8)% for the four months ended 30 April 2018.

### **For the year ended 31 December 2017 compared with the year ended 31 December 2016**

### *Revenue*

Our revenue increased by 10.5% from approximately HK\$359,441,000 for the year ended 31 December 2016 to approximately HK\$397,349,000 for the year ended 31 December 2017. Such increase was mainly resulted from the increase in the number of projects from 11 for the year ended 31 December 2016 to 20 for the year ended 31 December 2017.



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In particular, during the year ended 31 December 2017, we commenced works for a project located at Tuen Mun (Job 20) with contract sum of over HK\$120 million and we have undertaken substantial amount of works in projects located at So Kwun Wat (Job 6) and Sha Tin (Job 11), notwithstanding that the projects located at Kau To Shan (Job 14) and Sai Kung (Job 1), each with contract sum of over HK\$100 million, were completed during the year ended 31 December 2016. Set out below is the amount of revenue recognised from these projects during the respective period:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Kau To Shan (Job 14)	107,186	–
Sai Kung (Job 1)	63,325	–
So Kwun Wat (Job 6)	60,395	172,398
Sha Tin (Job 11)	10,365	45,404
Tuen Mun (Job 20)	–	52,623
	241,271	270,425

### *Direct costs*

Our direct costs increased by 4.2% from approximately HK\$324,906,000 for the year ended 31 December 2016 to approximately HK\$338,534,000 for the year ended 31 December 2017. The increase was generally consistent with the increase in revenue during the year. Notwithstanding the subcontracting charges and other direct cost were increased consistent with the revenue, as we recorded less revenue generated from ELS and pile cap construction, which by nature consumed significant construction materials and hence amount and proportion of cost of construction materials decreased significantly.

### *Gross profit and gross profit margin*

Our gross profit increased by 70.3% from approximately HK\$34,535,000 for the year ended 31 December 2016 to approximately HK\$58,815,000 for the year ended 31 December 2017. Such increase was mainly due to the increase in the gross profit margin resulted from the project at So Kwun Wat (Job 6) with a relatively high gross profit for the year ended 31 December 2017.

Our gross profit margin increased from approximately 9.6% for the year ended 31 December 2016 to approximately 14.8% for the year ended 31 December 2017. Such increase was mainly due to the project at So Kwun Wat (Job 6), which is a lump sum contract and for the project we achieved significant cost saving. The main contractor was New Concepts Foundation Limited (“NCF”) and we were the principal subcontractor. Given the significant size of the project, we coordinated with NCF to explore the possibilities of cost saving in the early stage of the project with the focus in the design of the foundation, pile cap and ELS and hoarding works of the project. The project consultant for the project employer was engaged with a fee of HK\$1.6 million for preparing alternative design,

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calculations, drawings and reports for submission and endorsement by registered structural engineer. As a result of the cost saving design, substantial amount of construction materials were saved, due mainly to the reduction of quantity of steel reinforcement by more than 850 tonnes in bored pile foundation, reduction of more than 60 socketed H-piles and downsizing the required ELS materials, as compared to the original design. Taking into account the costs of the alternative design and its implementation, we estimated the total costs saved would be approximately HK\$14 million, or 6.4% of our contract sum.

### *Other income*

Our other income increased from approximately HK\$3,433,000 for the year ended 31 December 2016 to approximately HK\$4,288,000 for the year ended 31 December 2017, primarily due to profit from leasing of plant and equipment of approximately HK\$3,860,000 during the period under review.

### *General and administrative expenses*

Our general and administrative expenses increased by 84.0% from approximately HK\$3,895,000 for the year ended 31 December 2016 to approximately HK\$7,168,000 for the year ended 31 December 2017. Such increase was mainly due to the listing expenses of approximately HK\$3,469,000 incurred during the year ended 31 December 2017 in relation to the Listing.

### *Finance costs*

Our finance costs increased from approximately HK\$6,000 for the year ended 31 December 2016 to approximately HK\$703,000 for the year ended 31 December 2017. Such increase was mainly due to the increase in our obligations under finance leases for machinery and motor vehicle purchase and the increase in interest expenses for the new short-term loan.

### *Income tax*

Our income tax increased by 71.8% from approximately HK\$5,600,000 for the year ended 31 December 2016 to approximately HK\$9,621,000 for the year ended 31 December 2017. Effective tax rate slightly increased from 16.4% to 17.4% as the listing expenses incurred were not deductible.

### *Profit for the year and net profit margin*

As a result of the foregoing, our profit for the year increased by 60.2% from approximately HK\$28,467,000 for the year ended 31 December 2016 to approximately HK\$45,611,000 for the year ended 31 December 2017. Our net profit margin also increased from 7.9% to 11.5%.

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**For the year ended 31 December 2016 compared with year ended 31 December 2015**

### *Revenue*

Our revenue increased by 51.9% from approximately HK\$236,679,000 for the year ended 31 December 2015 to approximately HK\$359,441,000 for the year ended 31 December 2016. The following table summarises the scale of projects we were involved together with the revenue recognised in the respective period as indicated:

<b>Revenue recognised from construction projects</b>	<b>For the year ended 31 December</b>			
	<b>2015</b>		<b>2016</b>	
	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>
Above HK\$10,000,000	6	227,309	8	352,012
HK\$5,000,001 to HK\$10,000,000	1	7,442	–	–
HK\$1,000,001 to HK\$5,000,000	1	1,928	3	7,429
Below HK\$1,000,001	–	–	–	–
	<u>8</u>	<u>236,679</u>	<u>11</u>	<u>359,441</u>

In particular, during the year ended 31 December 2016, revenue increased significantly as we commenced works for projects located at So Kwun Wat (Job 6) and Sha Tin (Job 11), with contract sum of over HK\$200 million and HK\$90 million, respectively, and we have undertaken substantial amount of work in the project located at Kau To Shan (Job 14), although there was decrease in revenue recognised from a project located at Sai Kung (Job 1), which had a contract sum of over HK\$164 million, due to actual works progress under the relevant contract as certified by respective customer. Set out below are amounts of revenue recognised from these projects:

	<b>For the year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sai Kung (Job 1)	101,665	63,325
So Kwun Wat (Job 6)	–	60,395
Sha Tin (Job 11)	–	10,365
Kau To Shan (Job 14)	<u>19,120</u>	<u>107,186</u>
	<u>120,785</u>	<u>241,271</u>

### *Direct costs*

Our direct costs increased by 49.6% from approximately HK\$217,152,000 for the year ended 31 December 2015 to approximately HK\$324,906,000 for the year ended 31 December 2016. Such increase was generally consistent with the increase in revenue during

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the year. For the year ended 31 December 2016, as most of our revenue was generated from ELS and pile cap construction, which by nature consumed significant construction materials and hence amount and proportion of cost of construction materials increased significantly.

### *Gross profit and gross profit margin*

Our gross profit increased by 76.9% from approximately HK\$19,527,000 for the year ended 31 December 2015 to approximately HK\$34,535,000 for the year ended 31 December 2016. Such increase was mainly due to the increase in revenue resulting from the increase in the number and the average size of projects undertaken and the increase in value of works done as explained above.

Our gross profit margin slightly increased from approximately 8.3% for the year ended 31 December 2015 to approximately 9.6% for the year ended 31 December 2016. Such increase was mainly due to a new site formation project at Sha Tin (Job 11) commenced in 2016 which turned out to have a relatively high gross profit margin during the year ended 31 December 2016.

### *Other income*

Our other income increased from approximately HK\$131,000 for the year ended 31 December 2015 to approximately HK\$3,433,000 for the year ended 31 December 2016. For the year ended 31 December 2016, we recognised a compensation from a customer in the amount of approximately HK\$2,796,000, as other income. The amount was related to the value of work done certified by the customer, namely Customer B, in respect of the project at Hong Kong, Zhuhai, Macau Bridge (Job 8) which was terminated in the year ended 31 December 2015. If the amount of HK\$2,796,000 was taken into account, our Directors consider that Job 8 was overall profitable, despite the project gross loss of approximately HK\$444,000 recognised during the year ended 31 December 2015.

### *General and administrative expenses*

Our general and administrative expenses increased by 28.4% from approximately HK\$3,033,000 for the year ended 31 December 2015 to approximately HK\$3,895,000 for the year ended 31 December 2016. Such increase was primarily the result of the increase in staff costs and directors' remuneration for the increasing staff to support our business growth.

### *Finance costs*

Our finance costs decreased by 57.1% from approximately HK\$14,000 for the year ended 31 December 2015 to approximately HK\$6,000 for the year ended 31 December 2016. The decrease was mainly due to the decrease in our obligations under finance leases.

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### *Income tax*

Our income tax increased by 133.3% from approximately HK\$2,400,000 for the year ended 31 December 2015 to approximately HK\$5,600,000 for the year ended 31 December 2016, primarily attributable to the increase in our taxable income. Effective tax rate slightly increased from 14.4% to 16.4%. The effective tax rate for the year ended 31 December 2015 was lower than the statutory tax rate because of the utilisation of the previously unutilised tax losses.

### *Profit for the year and net profit margin*

As a result of the foregoing, our profit for the year increased by 100.3% from approximately HK\$14,211,000 for the year ended 31 December 2015 to approximately HK\$28,467,000 for the year ended 31 December 2016. Our net profit margin also increased from 6.0% to 7.9%.

### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

Our primary use of cash is to fund our operations. We have financed our operations through a combination of cash generated from operating activities. Upon completion of the Share Offer, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations and the net proceeds from the issue of Offer Shares. As at the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables in the normal course of business.

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### Cash flows

The following table sets forth our Group's cash flows for the periods indicated:

	For the year ended			For the four months	
	31 December			ended	
	2015	2016	2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>	
Operating cash flow before working capital changes	16,904	34,445	63,249	5,296	3,231
Net cash generated from/(used in) operating activities	16,010	20,522	18,483	2,724	(521)
Net cash used in investing activities	(10,719)	(4,961)	(24,488)	(4,747)	(2,201)
Net cash generated from/(used in) financing activities	(934)	(234)	13,697	(713)	4,592
Net increase/(decrease) in cash and cash equivalents	4,357	15,327	7,692	(2,736)	1,870
Cash and cash equivalents at beginning of the year/period	378	4,735	20,062	20,062	27,754
Cash and cash equivalents at the end of the year/period	4,735	20,062	27,754	17,326	29,624

### *Cash flows generated from/(used in) operating activities*

Our cash inflow from operating activities is principally generated from the receipts from the provision of construction services. Our working capital requirements typically arise from the purchase of construction materials, payments to subcontractors and staff. During the Track Record Period, our net cash flows from operating activities represented profit before tax adjusted for changes in working capital and other non-cash items.

For the four months ended 30 April 2018, our net cash used in operating activities was approximately HK\$521,000, as a result of operating cash inflow before movements in working capital of approximately HK\$3,231,000, adjusting for the decrease in working capital of approximately HK\$3,752,000, which was due to the decrease in gross amount due from customers for contract work, contract assets, trade and other receivables of approximately HK\$61,396,000 and decrease in gross amount due to customers for contract work, contract liabilities, trade and other payables of approximately HK\$65,148,000.

For the year ended 31 December 2017, our net cash generated from operating activities was approximately HK\$18,483,000, as a result of operating cash inflow before movements in working capital of approximately HK\$63,249,000. Working capital changes of approximately HK\$32,274,000 were mainly attributable to the increase in gross amount due from customers for contract work, contract assets, trade and other receivables of

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approximately HK\$83,766,000 which was partially offset by the increase in gross amount due to customers for contract work, contract liabilities, trade and other payables of approximately HK\$51,492,000.

For the year ended 31 December 2016, our net cash generated from operating activities was approximately HK\$20,522,000, as a result of operating cash inflow before movements in working capital of approximately HK\$34,445,000, adjusting for the decrease in working capital of approximately HK\$13,923,000, which was due to the decrease in gross amount due from customers for contract work, contract assets, trade and other receivables of approximately HK\$5,719,000 and decrease in gross amount due to customers for contract work, contract liabilities, trade and other payables of approximately HK\$19,642,000.

For the year ended 31 December 2015, our net cash generated from operating activities was approximately HK\$16,010,000, as a result of operating cash inflow before movements in working capital of approximately HK\$16,904,000 adjusting for the decrease in working capital of approximately HK\$661,000, which was due to the increase in gross amount due from customers for contract work, contract assets, trade and other receivables of approximately HK\$75,840,000 and increase in gross amount due to customers for contract work, contract liabilities, trade and other payables of approximately HK\$75,179,000.

### *Cash flows used in investing activities*

Our cash flows from investing activities principally include acquisition and sale of plant and equipment and advances to and repayment from a Director.

For the four months ended 30 April 2018, net cash used in investing activities was approximately HK\$2,201,000, which was mainly due to acquisition of plant and equipment of approximately HK\$2,489,000, advances to a Director of approximately HK\$212,000 and proceeds from disposals of plant and machinery of approximately HK\$500,000.

For the year ended 31 December 2017, net cash used in investing activities was approximately HK\$24,488,000, which was mainly due to acquisition of plant and machinery and motor vehicles of approximately HK\$21,205,000, advances to a Director of approximately HK\$3,530,000 less repayment from such Director of approximately HK\$32,000 and proceeds from disposals of plant and machinery of approximately HK\$215,000.

For the year ended 31 December 2016, net cash used in investing activities was approximately HK\$4,961,000, which was due to acquisition of plant and machinery of approximately HK\$2,735,000 and advances to a Director of approximately HK\$13,290,000 less repayment from such Director of approximately HK\$11,064,000.

For the year ended 31 December 2015, net cash used in investing activities was approximately HK\$10,719,000, which was due to acquisition of motor vehicles of approximately HK\$599,000 and advances to a Director of approximately HK\$10,840,000 less repayment from such Director of approximately HK\$720,000.

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### *Cash flows generated from/(used in) financing activities*

Our cash outflows from financing activities are mainly the repayment of obligations under finance leases.

For the four months ended 30 April 2018, net cash generated from financing activities was approximately HK\$4,592,000, which was mainly due to the proceeds from bank loan of approximately HK\$8,590,000 less repayment of bank loan of approximately HK\$2,126,000, repayment of obligations under finance leases of approximately HK\$1,637,000 and interest payment of approximately HK\$235,000.

For the year ended 31 December 2017, net cash generated from financing activities was approximately HK\$13,697,000, which was mainly due to the proceeds from a short-term loan of approximately HK\$18,000,000 less repayment of obligations under finance leases of approximately HK\$3,958,000 and interest payment of approximately HK\$344,000.

For the year ended 31 December 2016, net cash used in financing activities was approximately HK\$234,000, which was mainly due to repayment of obligations under finance leases.

For the year ended 31 December 2015, net cash used in financing activities was approximately HK\$934,000, which was mainly due to the dividend paid by Ming Shing to its then shareholder of approximately HK\$720,000 and the repayment of obligations under finance leases of approximately HK\$214,000.



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### Net current assets/liabilities

The following table sets forth the details of our Group's current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December			As at 30	As at 31
	2015	2016	2017	April 2018	August 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(Unaudited)</i>
<b>Current assets</b>					
Gross amount due from customers for contract work	52,983	42,163	68,148	–	–
Contract assets	–	–	–	45,479	36,136
Trade and other receivables	38,785	46,113	90,603	50,387	31,629
Cash and cash equivalents	<u>4,735</u>	<u>20,062</u>	<u>27,754</u>	<u>29,624</u>	<u>58,305</u>
	96,503	108,338	186,505	125,490	126,070
<b>Current liabilities</b>					
Gross amount due to customers for contract work	1,000	–	–	–	–
Contract liabilities	–	–	–	458	458
Trade and other payables	74,776	61,734	107,837	42,019	37,883
Borrowings	–	–	18,000	24,464	21,612
Obligations under finance leases	208	19	4,610	4,666	4,723
Tax payable	<u>2,113</u>	<u>7,295</u>	<u>2,455</u>	<u>3,554</u>	<u>4,490</u>
	<u>78,097</u>	<u>69,048</u>	<u>132,902</u>	<u>75,161</u>	<u>69,166</u>
Net current assets	<u><u>18,406</u></u>	<u><u>39,290</u></u>	<u><u>53,603</u></u>	<u><u>50,329</u></u>	<u><u>56,904</u></u>

As at 31 December 2015, 2016 and 2017 and 30 April 2018 and 31 August 2018, we recorded net current assets of approximately HK\$18,406,000, HK\$39,290,000, HK\$53,603,000, HK\$50,329,000 and HK\$56,904,000, respectively. During the Track Record Period, the increase in the current assets was a result of our business growth.

As at 31 December 2015, 2016 and 2017 and 30 April 2018 and 31 August 2018, we had borrowings of approximately nil, nil, HK\$18,000,000, HK\$24,464,000 and HK\$21,612,000, respectively. As at 31 December 2017, our short-term loan increased to HK\$18,000,000, which was mainly due to the acquisition of plant and machinery and motor vehicles for the year ended 31 December 2017. As at 30 April 2018, our short-term loan further increased to HK\$24,464,000, which was mainly due to the tax loan for the year ended 31 December 2017.

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## FINANCIAL INFORMATION

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### DISCUSSION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

#### Plant and equipment

The following table sets out the respective carrying values of our Group's plant and equipment as at the respective dates as indicated:

	<b>Leasehold improvements</b>	<b>Plant and machinery</b>	<b>Furniture and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at:</b>					
31 December 2015	225	–	47	494	766
31 December 2016	180	7,621	45	436	8,282
31 December 2017	124	15,082	45	15,485	30,736
30 April 2018	106	15,646	39	13,734	29,525

During the Track Record Period, we increased plant and equipment by purchasing plant and machinery, which were mainly crawler crane, excavators and generators, and motor vehicles, which included dumping lorries. For details of our purchase and disposal of plant and equipment during the Track Record Period, please refer to Note 11 of the Accountants' Report set out in Appendix I to this prospectus.

#### Trade and other receivables

The following table sets out the breakdown of trade and other receivables as at the dates indicated:

	<b>As at 31 December</b>			<b>As at 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	18,798	20,059	65,784	43,236
Retention receivables	7,176	12,408	18,880	–
Amount due from a Director	11,064	13,290	–	–
Other receivables	1,000	111	4,123	3,898
	<u>38,038</u>	<u>45,868</u>	<u>88,787</u>	<u>47,134</u>
Deposits and prepayments	747	245	1,816	3,253
	<u>38,785</u>	<u>46,113</u>	<u>90,603</u>	<u>50,387</u>

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## FINANCIAL INFORMATION

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### *Trade receivables*

During the Track Record Period, our trade receivables represented amount receivables from customers for the provision of our services, less any identified impairment losses.

As our business is project-based, our trade receivables are mainly affected by the actual progress of the projects, the value of work done that the customers have certified for us.

Our trade receivables increased slightly from approximately HK\$18,798,000 as at 31 December 2015 to approximately HK\$20,059,000 as at 31 December 2016. The increase was in line with the increase of revenue as we have undertaken more projects during the year 31 December 2016, resulting in higher balance of trade receivables. As at 31 December 2017 our trade receivables further increased to approximately HK\$65,784,000. Such increase was mainly due to the completion of a large project at So Kwun Wat (Job 6).

### *Ageing analysis of trade receivables*

We generally offer our customers a credit period of 14 to 45 days from the date of billing. The following table sets forth the ageing analysis of our trade receivables, net of allowance for doubtful debts and based on progress payment, as at the end of periods indicated:

	<b>As at 31 December</b>			<b>As at 30</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>April</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2018</i>
Within 1 month	13,738	15,093	50,837	7,349
1 to 2 months	5,060	4,966	10,193	5,526
2 to 3 months	–	–	200	22,246
Over 3 months	–	–	4,554	8,115
	<u>18,798</u>	<u>20,059</u>	<u>65,784</u>	<u>43,236</u>

As at 31 December 2017, approximately HK\$4,554,000 was aged over 3 months mainly due to the delay in payment from NCF for the project at Sai Kung (Job 1) resulted from the late payment from landlord to NCF, which was subsequent settled as at the Latest Practicable Date.

As at 30 April 2018, approximately HK\$30,361,000 was aged over 2 months mainly due to the delay in payment from the major customer, NCF, for the project at So Kwun Wat (Job 6), which was subsequently settled as at the Latest Practicable Date.

To certain extent our trade receivables were concentrated to our largest debtor and the five largest debtors as illustrated in the table below for the respective dates indicated:

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## FINANCIAL INFORMATION

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	As at 31 December			As at 30
	2015	2016	2017	April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Largest debtor	7,865	12,531	30,856	32,156
Five largest debtors	18,798	20,059	60,925	42,192

We seek to maintain strict control over our outstanding trade receivables and have a credit control policy to minimise our exposure to credit risk. In addition, all trade receivables balances are monitored on an ongoing basis and our Directors review overdue balances and take appropriate follow up actions regularly.

In determining the recoverability of trade receivables, our Group assesses any change in the credit quality of the debtors from the date credit was initially granted up to the end of the reporting period.

Our Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the trade receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicating that the balances may not be recoverable. Our management closely reviews the trade receivables and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances. No provision was made for bad debt during the Track Record Period.

The following table sets forth the ageing analysis of trade receivables that are past due but not impaired for the respective dates indicated:

	As at 31 December			As at 30
	2015	2016	2017	April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1-30 days past due	5,060	4,966	10,193	22,246
31-60 days past due	–	–	200	7,646
More than 60 days past due	–	–	4,554	469
	<u>5,060</u>	<u>4,966</u>	<u>14,947</u>	<u>30,361</u>

Receivables that were past due but not impaired related to a number of independent customers that have good track records with our Group. Our management believes that no impairment allowance is necessary in respect of these balances as there have not been any significant change in credit quality and the balances are still considered fully recoverable. Our Group does not hold any collateral over those trade receivables balances.

As at the Latest Practicable Date, approximately HK\$42,767,000 or 98.9% of our trade receivables as at 30 April 2018 were settled.

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### *Trade receivables turnover days*

The following table sets out the trade receivables turnover days for the periods indicated:

	<b>For the year ended 31 December</b>			<b>For the four months ended 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Trade receivables' turnover days (Note)	15.7	19.7	39.4	87.9

*Note:* Trade receivables' turnover days for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 are equal to the average trade receivables, net of allowance for doubtful debts, divided by revenue and multiplied by 365, 366, 365 and 120 days, respectively. Average trade receivables are the average of trade receivables at the beginning of the year/period and trade receivables at the end of the year/period.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, trade receivables' turnover days were approximately 15.7 days, 19.7 days, 39.4 days and 87.9 days, respectively. Such increase was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective year end dates due to the different settlement practices of different customers as well as the different credit periods granted/agreed by us. For the year ended 31 December 2017 and the four months ended 30 April 2018, trade receivables' turnover days were further higher because of the higher trade receivable, resulted from the completion of a large project at So Kwun Wat (Job 6) in December 2017. As our business operates on a non-recurring and project-by-project basis, and the progress of our works contracts at a given time would affect our trade receivables balances as at the respective year end dates and thus the trade receivables' turnover days during the Track Record Period.

### ***Retention receivables***

Retention receivables represent certain portion of the progress payments being withheld by our customers to secure for our Group's due performance of the contracts. Typically, retention money is in general at approximately 1% to 10% of the value of works certified in each progress payment and is subject to a ceiling of around 5% of the total contract sum. For further details regarding retention money, please refer to the section headed "Business – Customers, sales and marketing" of this prospectus.

Our retention receivables increased from approximately HK\$7,176,000 as at 31 December 2015 to approximately HK\$12,408,000 as at 31 December 2016 and increased to approximately HK\$18,880,000 as at 31 December 2017. Such increase was mainly due to the larger amount of work done as a result of the increase in the number of projects we undertook during the Track Record Period, which caused increase in amount of retention money withheld by our customers.

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The following table sets forth the ageing analysis of retention receivables:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	7,176	12,318	10,644
Over one year	–	90	8,236

### *Other receivables, deposits and prepayments*

Other receivables represented advances payment to subcontractors and receivables from rental income from leasing of plant and equipment. As at 31 December 2015, 2016 and 31 December 2017 and 30 April 2018, our other receivables amounted to approximately HK\$1,000,000, HK\$111,000, HK\$4,123,000 and HK\$3,898,000, respectively.

Deposits and prepayments represented prepayments of expenses, rental deposits and deposits paid to suppliers. As at 31 December 2015, 2016 and 2017 and 30 April 2018, our deposits and prepayments amounted to approximately HK\$747,000, HK\$245,000, HK\$1,816,000 and HK\$3,253,000, respectively. As at 30 April 2018, our deposits and prepayments increased to HK\$3,253,000. Such increase was mainly due to the prepayments for listing expenses.

### **Gross amount due from/to customers for contract work**

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the consolidated statements of financial position as the gross amount due from customers for contract work (as asset) or gross amount due to customers for contract work (as liability), as applicable.

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	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Gross amount due from customers for contract work</b>			
Contract costs incurred plus recognised profits less recognised losses	243,858	360,293	381,478
Less: Progress billings received and receivables	<u>(190,875)</u>	<u>(318,130)</u>	<u>(313,330)</u>
	<u><u>52,983</u></u>	<u><u>42,163</u></u>	<u><u>68,148</u></u>
<b>Gross amount due to customers for contract work</b>			
Progress billings received and receivables	1,928	–	–
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(928)</u>	<u>–</u>	<u>–</u>
	<u><u>1,000</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

The gross amount due from/to customers for contract work are normally affected by (i) the amount of works handled by us at the time close to the end of the reporting period; (ii) the time when our customers certify our work done; (iii) the time when our subcontractors' work is certified and the cost of construction materials are incurred; and (iv) our progress billings for the projects, which can vary significantly from period to period.

### *Subsequent certification*

Gross amounts due from customers for contract work increased during the Track Record Period because progress billings had not yet taken place as at a financial year end date in respect of works performed by our Group during that financial year. When progress billings take place subsequently, the relevant amounts due from customers for contract works will become our trade receivables and/or retention receivables.

In respect of the gross amounts of approximately HK\$52,983,000 due from customers for contract work as at 31 December 2015, all of the amount had been subsequently certified by the relevant customers up to the Latest Practicable Date.

Of the gross amounts of approximately HK\$42,163,000 due from customers for contract work as at 31 December 2016, all of the amount had been subsequently certified by the relevant customers up to the Latest Practicable Date.

Of the gross amounts of approximately HK\$68,148,000 due from customers for contract work as at 31 December 2017, all of the amount had been subsequently certified by the relevant customers up to the Latest Practicable Date.

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## FINANCIAL INFORMATION

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### Contract assets/contract liabilities

Contract assets are recognised when our Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

Contract liabilities are recognised when the customer pays consideration before our Group recognises the related revenue. A contract liability would also be recognised if our Group has an unconditional right to receive consideration before our Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

	<b>As at 1 January 2018 HK\$'000</b>	<b>As at 30 April 2018 HK\$'000</b>
<b>Contract assets</b>		
Arising from performance under construction contracts	<u>85,539</u>	<u>45,479</u>
<b>Contract liabilities</b>		
Construction contracts		
– Billings in advance of performance	<u>–</u>	<u>458</u>

As at 30 April 2018, all of our contract assets had been subsequently billed, of which approximately HK\$28,652,000, or 63.0% had been subsequently settled up to the Latest Practicable Date.



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### Trade and other payables

The following table sets out the breakdown of trade and other payables as at the dates indicated:

	As at 31 December			As at 30
	2015	2016	2017	April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	58,394	47,004	84,666	22,195
Amount due to a Director	–	–	212	–
Payable for acquisition of plant and equipment	–	5,600	–	–
Accrued subcontracting fee	–	–	11,170	8,872
Other accrued charges	1,141	969	1,076	527
Retention payables	6,213	8,161	10,713	10,425
Advances received	9,028	–	–	–
	<u>74,776</u>	<u>61,734</u>	<u>107,837</u>	<u>42,019</u>

### Trade payables

During the Track Record Period, our trade payables mainly represented amounts payable to suppliers and subcontractors. We generally receive credit terms of 0 to 50 days from our suppliers and subcontractors. The following table sets out the ageing analysis of our trade payables as at each reporting date based on the invoice dates:

	As at 31 December			As at 30
	2015	2016	2017	April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	37,989	41,980	41,732	15,523
1 to 2 months	8,330	2,105	15,756	2,068
2 to 3 months	471	2,919	8,408	3,701
Over 3 months	11,604	–	18,770	903
	<u>58,394</u>	<u>47,004</u>	<u>84,666</u>	<u>22,195</u>

Our trade payables decreased from approximately HK\$58,394,000 as at 31 December 2015 to approximately HK\$47,004,000 as at 31 December 2016. During the year ended 31 December 2016, we consumed more construction materials, the suppliers of which offered in general shorter credit period than that offered by subcontractors. As at 31 December 2017 our trade payables increased to approximately HK\$84,666,000, mainly due to the relatively higher subcontracting charges as the subcontractors usually offer a longer credit period than the suppliers and completion of several projects near the end of the year ended 31 December 2017.

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As at the Latest Practicable Date, approximately HK\$21,256,000 or 95.8% of our trade payables as at 30 April 2018 were settled.

The following table sets out the payables' turnover days for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April 2018
	2015	2016	2017	
Trade payables' turnover days (Note)	49.4	59.2	71.0	96.0

*Note:* Trade payables' turnover days for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 are equal to the average trade payables divided by direct costs and multiplied by 365, 366, 365 and 120 days, respectively. Average trade payables are the average of trade payables at the beginning of the year/period and trade payables at the end of the year/period.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, trade payables' turnover days were approximately 49.4 days, 59.2 days, 71.0 days and 96.0 days, respectively. Our Directors considered that we had stable relationship with our suppliers and subcontractors and confirmed that we had no material disputes with our suppliers and subcontractors during the Track Record Period.

### ***Retention payables***

Retention payables represent the retention we withheld from the progress payments to our subcontractors, as a similar practice that our customers withheld retention money from our Group. The retention money we withhold from subcontractors is usually at 1 to 10% of the progress payment we pay to them, subject to a cap of 5% of the subcontract sum. The release of the retention money to our subcontractors will be subject to our receipt of the corresponding payment from our customer. As at 31 December 2015, 2016 and 2017 and 30 April 2018, retention payables amounted to approximately HK\$6,213,000, HK\$8,161,000, HK\$10,713,000 and HK\$10,425,000, respectively.

### ***Advances received***

As at 31 December 2015, 2016 and 2017 and 30 April 2018, advances received amounted to approximately HK\$9,028,000, nil, nil and nil. Such amount represented a deposit received from our customer for startup costs, which our Group used for paying salary to our staff and upfront costs for subcontractors' staff. According to the Ipsos Report, it is not an uncommon industry practice for construction companies, either main contractors or subcontractors, to receive advanced payment from customers before the construction work is performed to assist the contractors with their cash flow to pay wages and startup costs.

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## FINANCIAL INFORMATION

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### RELATED PARTY TRANSACTIONS AND BALANCES

#### Related party transactions

Please refer to Note 21 of the Accountants' Report set out in Appendix I to this prospectus and below are the details of our related party transactions during the Track Record Period. Our Directors confirm that all such transactions were conducted on an arm's length basis and on normal commercial terms.

#### *Rental expenses paid to Ms. Cheng*

Ming Shing rented our headquarters in Yuen Long from Ms. Cheng, the landlord, during the Track Record Period. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the rental payable to Ms. Cheng amounted to approximately HK\$300,000, HK\$300,000, HK\$300,000 and HK\$100,000, respectively. According to an independent property valuer engaged by us, the rental payable to Ms. Cheng for the rental above was fair to our Group. The rental of our headquarters from Ms. Cheng continued after the Track Record Period and is expected to continue after the Listing, which will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules. Please also refer to the section headed "Connected Transaction" of this prospectus.

#### Guarantees made by related parties

As at 31 December 2015, 2016 and 2017 and 30 April 2018, we received personal guarantees provided by Mr. Law and joint guarantee provided by Mr. Law and Ms. Cheng in connection with the finance leases facilities granted to our Group. We expect to release such personal guarantee and joint guarantee upon Listing. Please refer to Note 16 of the Accountants' Report set out in Appendix I to this prospectus for details of guarantees made by related parties.

### ACCUMULATED LOSSES

As at 1 January 2015, our Group had accumulated losses amounting to approximately HK\$0.1 million. Our accumulated losses were mainly due to the loss for the six months ended 31 December 2014 of approximately HK\$0.6 million, as our principal operating subsidiary, Ming Shing, decided not to take any new projects in 2014 in light of the changes in shareholders and management. Since 2015, our business regained pace under the leadership and management of Mr. Law and Ms. Cheng, our executive Directors, and our Group turned profitable.

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### INDEBTEDNESS

The table below sets forth the breakdown of our indebtedness as at the dates indicated:

	As at 31 December			As at 30	As at 31
	2015	2016	2017	April	August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(Unaudited)</i>
<b>Unsecured and unguaranteed:</b>					
– Amount due to a Director	–	–	212	–	–
<b>Secured and guaranteed:</b>					
– Obligations under finance lease	247	19	10,351	8,832	7,296
– Bank loan	–	–	–	6,464	3,612
– Short-term loan	–	–	18,000	18,000	18,000
<b>Total</b>	<b><u>247</u></b>	<b><u>19</u></b>	<b><u>28,563</u></b>	<b><u>33,296</u></b>	<b><u>28,908</u></b>

As at 31 December 2015, 2016 and 2017 and 30 April 2018 and 31 August 2018, our Group had bank borrowings, obligations under finance lease and amount due to a director in aggregate of approximately HK\$247,000, HK\$19,000, HK\$28,563,000, HK\$33,296,000 and HK\$28,908,000, respectively, all of which were denominated in Hong Kong Dollars.

As at 31 August 2018, we had no unutilised banking facilities.

### Amounts due from/to directors

Set out below are the balances due from/to our Directors as at each reporting date:

	As at 31 December			As at 30	As at 31
	2015	2016	2017	April	August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(Unaudited)</i>
Amount due from a Director	11,064	13,290	–	–	–
Amount due to a Director	–	–	212	–	–

These amounts are non-trade nature, unsecured, unguaranteed, interest-free and repayable on demand.

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### SHORT-TERM LOAN

	As at 31 December			As at 30	As at 31
	2015	2016	2017	April	August
	HK\$'000	HK\$'000	HK\$'000	2018	2018
Bank loan	–	–	–	6,464	3,612
Short-term loan	–	–	18,000	18,000	18,000
					<i>(Unaudited)</i>

In May 2017, our Group obtained a short-term loan of approximately HK\$18,000,000 for the acquisition of plant and machinery. The short-term loan is secured by a personal guarantee provided by Mr. Law and carries a fixed rate of 3% per annum from an independent financial institution. The short-term loan will be matured within one year.

In January 2018, our Group obtained a bank loan of approximately HK\$8,590,000. The bank loan is secured by a personal guarantee provided by Mr. Law and carries at HIBOR plus 2% per annum and repayable within one year. Both personal guarantees provided by Mr. Law for the bank loan and the short-term loan will be released or replaced by corporate guarantees provided by our Group upon the Listing. In addition, the corresponding loan agreement includes a clause that the bank has an unconditional right to call the loan at any time notwithstanding any other terms and maturity as set out in the loan agreement.

### Obligations under finance leases

Our Group purchased certain plant and equipment under finance leases during the Track Record Period. As at 31 December 2015, 2016 and 2017 and 30 April 2018 and 31 August 2018, our Group had outstanding finance leases payable as follows:

	As at 31 December			As at 30	As at 31
	2015	2016	2017	April	August
	HK\$'000	HK\$'000	HK\$'000	2018	2018
Within 1 year	208	19	4,610	4,666	4,723
After 1 year but within 2 years	39	–	4,780	4,142	2,573
After 2 years but within 5 years	–	–	961	24	–
	<u>247</u>	<u>19</u>	<u>10,351</u>	<u>8,832</u>	<u>7,296</u>
					<i>(Unaudited)</i>

All of our finance leases were denominated in Hong Kong dollars and the effective interest rates of our obligations under finance leases for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 and 31 August 2018 ranged from approximately 4.3%, 4.3%, ranged from 3.1% to 3.8%, ranged from 3.1% to 3.8% and ranged from 3.1% to 3.8% per annum, respectively. The obligations under finance leases

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were secured by the lessor's charge over our machineries and construction equipment and motor vehicles and guaranteed by the personal guarantee provided by Mr. Law and the joint guarantees provided by Mr. Law and Ms. Cheng, which will be released and replaced by the corporate guarantee of our Company upon Listing. For details of our obligations under finance leases, please refer to Note 16 of the Accountants' Report set out in Appendix I to this prospectus.

### OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, our Directors confirm that we had not entered into any off-balance sheet arrangements.

### COMMITMENTS

#### Operating lease commitments

We leased certain property under non-cancellable operating lease arrangements for a term of two years. The following table sets forth our commitments for future minimum lease payments as at the dates indicated:

	As at 31 December			As at 30	As at 31
	2015	2016	2017	April	August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(Unaudited)</i>
Within one year	250	–	–	378	686
In the second to fifth year inclusive	<u>–</u>	<u>–</u>	<u>–</u>	<u>250</u>	<u>850</u>
	<u>250</u>	<u>–</u>	<u>–</u>	<u>628</u>	<u>1,536</u>

Except for the contractual obligations set out in the paragraphs headed "Indebtedness" and the "Commitments" in this section as at the Latest Practicable Date, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any variable interests in any uncombined entity that provides financing, liquidity or credit support to us, or engages in leasing, hedging or research and development services with us.

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## FINANCIAL INFORMATION

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### CAPITAL EXPENDITURES

The following table sets out our capital expenditures for the periods indicated:

	<b>For the year ended 31 December</b>			<b>For the four months ended 30 April 2018</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Capital expenditures</b>				
Plant and equipment	1,045	7,888	29,983	2,489

Our capital expenditures during the Track Record Period principally consisted of plant and equipment, which are mainly machinery and vehicles used in construction sites or for transportation. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, we incurred capital expenditures of approximately HK\$1,045,000, HK\$7,888,000, HK\$29,983,000 and HK\$2,489,000, respectively.

### CONTINGENT LIABILITIES

During the Track Record Period, we have been involved in a number of claims, litigations and potential claims, details of which are disclosed in the section headed "Business – Litigation, arbitration and potential claims" in 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 position or results of operations.

As at 31 December 2015, 2016 and 2017 and 30 April 2018 and 31 August 2018, we did not have any significant contingent liabilities.

### WORKING CAPITAL SUFFICIENCY

Taking into account our Group's existing balance of cash and cash equivalents, cash flows from operation and estimated net proceeds from the Share Offer, our Directors are of the opinion that we have sufficient working capital for at least 12 months commencing from the date of this prospectus.

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## FINANCIAL INFORMATION

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### SUMMARY OF KEY FINANCIAL RATIOS

The following set out our key financial ratios during the Track Record Period:

	As at/For the year ended			As at/For
	31 December			the four
	2015	2016	2017	months
				ended 30
				April
				2018
Current ratio <sup>(1)</sup>	1.2	1.6	1.4	1.7
Quick ratio <sup>(2)</sup>	1.2	1.6	1.4	1.7
Gearing ratio <sup>(3)</sup>	1.3%	0.04%	37.2%	45.2%
Debt to equity ratio <sup>(4)</sup>	N/A	N/A	0.8%	5.0%
Return on equity <sup>(5)</sup>	74.3%	59.8%	59.8%	N.A.
Return on total assets <sup>(6)</sup>	14.6%	24.3%	21.0%	N.A.
Interest coverage <sup>(7)</sup> (times)	1,187.5	5,678.8	79.6	0.1

*Notes:*

1. Current ratio is total current assets divided by total current liabilities.
2. Quick ratio is total current assets less inventories divided by total current liabilities.
3. Gearing ratio is total debt (i.e. sum of all obligations under finance leases and borrowing) divided by total equity and multiplied by 100%.
4. Debt to equity ratio is total debt (i.e. sum of all obligations under finance leases and borrowing) less cash and cash equivalents divided by total equity and multiplied by 100%.
5. Return on equity is profit for the year/period divided by total equity and multiplied by 100%.
6. Return on assets is profit for the year/period divided by total assets and multiplied by 100%.
7. Interest coverage is profit before interest and tax divided by finance costs.

### Current ratio and quick ratio

As our profit for the year improved from the year ended 31 December 2015 to the year ended 31 December 2016, our current ratio and quick ratio increased from 1.2 to 1.6 as at 31 December 2015 and 2016, respectively. For the ended 31 December 2017, we invested substantially in capital expenditures, mainly the plant and equipment, and hence our current ratio decreased, to 1.4 as at 31 December 2017. As at 30 April 2018, our current ratio and quick ratio increased to 1.7.



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## FINANCIAL INFORMATION

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### **Gearing ratio**

We relied on financing for the acquisition of machinery and vehicles, under finance leases. Gearing ratio was 1.3%, 0.04%, 37.2% and 45.2% as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively. The relatively high gearing ratio as at 31 December 2017 was due to the new short-term loan of HK\$18,000,000 and the acquisition of plant and equipment under a number of finance leases. As at 30 April 2018, our gearing ratio further increased to 45.2%, which was mainly due to the obtaining of a new bank loan of approximately HK\$8,590,000.

### **Debt to equity ratio**

As at 31 December 2015 and 2016, we had net cash position and debt to equity ratio as at these dates was not available. Our debt to equity ratio was 0.8% as at 31 December 2017. The change in net cash position was mainly related to the new short-term loan of HK\$18,000,000 and the acquisition of the plant and equipment under a number of finance leases during the year ended 31 December 2017. As at 30 April 2018, our debt to equity ratio further increased to 5.0%, which was mainly due to the new bank loan of approximately HK\$8,590,000.

### **Return on equity**

Our return on equity decreased from 74.3% for the year ended 31 December 2015 to 59.8% for the year ended 31 December 2016 as our retained earnings enlarged the equity base. For the year ended 31 December 2017, our return on equity remained at 59.8%. For the four months ended 30 April 2018, our Group recorded a net loss.

### **Return on total assets**

Our return on total assets increased from 14.6% for the year ended 31 December 2015 to 24.3% for the year ended 31 December 2016, due to the increase in profit for the year. For the year ended 31 December 2017, return on total assets decreased slightly to 21.0%, as although there was increase in profit for the year, the assets base was also enlarged due to the acquisition of plant and equipment under a number of finance leases. For the four months ended 30 April 2018, our Group recorded a net loss.

### **Interest coverage**

For the years ended 31 December 2015 and 2016, we had very low level of borrowings, due mainly to obligations under finance leases, and hence incurred insignificant amount of finance costs. The interest coverage for the year ended 31 December 2015 and 2016 was high, at 1,187.5 times and 5,678.8 times, respectively. For the year ended 31 December 2017, we incurred relatively higher finance costs due to the new borrowing and the finance leases for the acquisition of plant and equipment. Accordingly, interest coverage for the year ended 31 December 2017 was lowered to 79.6 times. For the four months ended 30 April 2018, our interest coverage further decreased to 0.1, which was mainly due to the listing expenses lowering the profit before interest and tax.

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## FINANCIAL INFORMATION

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### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our Group's activities expose ourselves to a variety of financial risks, including credit risk and liquidity risk. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance.

#### **Credit risk**

Our primarily credit risk relates to our trade receivables and cash equivalents. We have a credit policy in place and the credit risk exposure is monitored on an ongoing basis.

Our Group has certain concentration of credit risk. For our trade receivables, as at 31 December 2015, 2016 and 2017 and 30 April 2018, our five largest trade receivables represented 100.0%, 100.0%, 92.6% and 97.6% of our total trade receivables as at the respective date.

To manage credit risks on trade debtors, we perform individual credit evaluations for new customer contracts as part of the acceptance procedures. These evaluations focus on the customer's reputation on making payments when they are due and the assessment of their financial ability to make timely payments. In general, trade debtors are due (i) within 30 to 45 days from the date of our billing.

We also have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review regularly the recoverable amount of each individual trade debtor to ensure that adequate impairment provision is made for the irrecoverable amounts.

In respect of cash and cash equivalents, we minimise credit risk by depositing cash to financial institutions with sound credit ratings and our Group has exposure limit to any single financial institution. Given these financial institutions' high credit ratings, our Directors do not expect any of these financial institutions and counterparties will fail to meet their obligations.

#### **Liquidity risk**

Our cash management includes meeting expected cash demands. Our policy is to regularly monitor current and expected liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet our liquidity requirements in the shorter and longer terms.

#### **Capital risk management**

Our objective for capital risk management is to safeguard our ability to continue as a going concern in order to provide returns to Shareholders and benefits for stakeholders, as well as maintain an optimal capital structure to reduce overall cost of capital.

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## FINANCIAL INFORMATION

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Our capital structures consists of equity and borrowings. In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to Shareholders, issue new Shares or increase or reduce borrowings.

In addition, Ming Shing, as registered on the Approved Contractors List maintained by the Development Bureau, is required to maintain minimum working capital and employed capital as the Government may from time to time determine. Accordingly, we also regularly monitor the working capital position of Ming Shing in particular.

### **DIVIDENDS**

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, dividend of HK\$720,000, nil, HK\$17,000,000 and nil, respectively, was declared to the Controlling Shareholders. On 4 October 2018, members of our Group declared dividends in the sum of HK\$25,000,000 to be settled by cash using internal resources before Listing, which is expected to be on 30 October 2018. Our Directors consider there to be no material adverse impact on our Group's financial and liquidity position arising out of the dividend payment as our Group will continue to maintain net current assets and net assets position after such payment of dividend.

We do not have a predetermined dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up on the Shares.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. Our Group's historical payment of dividend during the Track Record Period may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

### **LISTING EXPENSES**

Our estimated listing expenses primarily consist of legal and professional fees, including underwriting commission, in relation to the Listing. Assuming the Offer Price of HK\$0.33 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses are estimated to be approximately HK\$30,615,000, of which approximately HK\$12,675,000 is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standards. The remaining amount of approximately HK\$3,469,000 and HK\$6,646,000 is chargeable to the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2017 and the four months ended 30

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## FINANCIAL INFORMATION

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April 2018, respectively, and approximately HK\$7,825,000 is expected to be incurred after the Track Record Period. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

### **SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD**

Please refer to Note 25 of Accountants' Report in Appendix I to this prospectus for details of subsequent events after the Track Record Period.

### **RECENT DEVELOPMENT AND FINANCIAL PERFORMANCE**

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking civil engineering projects and building works projects in Hong Kong. New projects are being undertaken by us and as at the Latest Practicable Date, we had 14 civil engineering projects and 2 building works projects on hand (including projects in progress and projects yet to commence). The aggregate contract sum of all contracts on hand is approximately HK\$788,624,000 of which approximately HK\$252,534,000 of revenue has been recognised during the Track Record Period. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. One of the projects completed during the year ended 31 December 2017 (Job 6) which had a large contract sum and higher than average overall gross profit margin. For further details of the high profitability of Job 6, please refer to the section headed "Financial Information – Period to period comparison of results of operations – Gross profit and gross profit margin" of this prospectus. As at the Latest Practicable Date, our Directors expect that none of the projects that are in progress may contribute the same scale of gross profit that also will have the same gross profit margin as Job 6 to our Group. Based on the contracts on hand and the latest progress of the projects only, our Directors expect that revenue for the year ending 31 December 2018 remain at similar level as compared to the year ended 31 December 2017, and therefore expect that the overall gross profit margin and amount of gross profit for the year ending 31 December 2018 will be lower than that for the year ended 31 December 2017. Following the Track Record Period, we have been continuously approached by customers for submitting tenders and quotations for new projects. In this regard, our Directors have been cautiously optimistic in preparing our tenders and quotations with an aim to expand our business.

On 4 October 2018, members of our Group declared dividends in the sum of HK\$25,000,000 to be settled by cash before Listing.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there has been no material change in our Group's financial or trading positions or prospect of our Company or our subsidiaries since 30 April 2018 (being the date of which our Group's latest audited consolidated financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 30 April 2018 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### DISTRIBUTABLE RESERVES

As at 30 April 2018, our Company had no distributable reserves available for distribution to its equity holders.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Share Offer on our consolidated net tangible assets as at 30 April 2018 as if the Share Offer had taken place on 30 April 2018.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets had the Share Offer been completed as at 30 April 2018 or any future date.

	Unaudited consolidated net tangible assets of our Group as at 30 April 2018 <sup>(1)</sup> <i>HK\$'000</i>	Estimated net proceeds from the Share Offer <sup>(2)</sup> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group as at 30 April 2018 <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets of our Group per Share <sup>(3)</sup> <i>HK\$</i>
Based on an Offer Price of HK\$0.32 per Share	73,633	107,700	181,333	0.113
Based on an Offer Price of HK\$0.34 per Share	73,633	115,300	188,933	0.118

*Notes:*

- (1) The unaudited consolidated net tangible assets of our Group as at 30 April 2018 is based on our Group's unaudited consolidated net assets as at 30 April 2018, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 400,000,000 new Shares expected to be issued under the Share Offer and the Offer Price of HK\$0.32 per Share or HK\$0.34 per Share, being the low or high end of the stated Offer Price range, respectively, after deduction of the estimated underwriting fees and other listing-related expenses payable by our Group of approximately HK\$20,300,000 or HK\$20,700,000 based on the Offer Price of HK\$0.32 per Share or HK\$0.34 per Share respectively (excluding listing-related expenses of approximately HK\$10,115,000 which have been charged to our consolidated statements of profit or loss and other comprehensive income to 30 April 2018), and without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted net tangible assets of our Group per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,200,000,000 Shares are expected to be in issue immediately following the completion of the Share Offer. It does not take into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

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## FINANCIAL INFORMATION

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- (4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 30 April 2018, including the subsequent events disclosed in the Accountants' Report set out in Appendix I to this prospectus.
- (5) The unaudited pro forma adjusted net tangible assets of our Group does not take into account of the interim dividends of HK\$25,000,000 declared on 4 October 2018. Had such dividends been taken into account, the unaudited pro forma adjusted net tangible assets of our Group per Share would be approximately HK\$0.098 assuming an Offer Price of HK\$0.32 per Share, and approximately HK\$0.102, assuming an Offer Price of HK\$0.34 per Share.

### **DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES**

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Stock Exchange.

### **MATERIAL ADVERSE CHANGE**

We did not experience any significant decrease in revenue or any unexpected increase in the direct costs and other costs subsequent to the Track Record Period and up to the Latest Practicable Date. As far as the our Directors are aware, there are no material adverse changes affecting the industry we operate in Hong Kong which could have a material and adverse impact on our business and financial conditions and our operating results. However, (i) the impact of the Listing expenses on the profit or loss accounts; (ii) our Group's gross profit margin is expected to decrease after the year ended 31 December 2017 as the relatively high profit margin project having been substantially completed or completed during the year ended 31 December 2017, and our gross profit margin for the four months ended 30 April 2018 was decreased to 10.3% as compared to 14.8% for the year ended 31 December 2017; and (iii) our Group's legal and professional fee and staff costs are expected to increase after the Listing which has posted a material adverse change in the financial or trading position or prospect of our Group since 30 April 2018. Prospective investors should be aware of the impact of the Listing expenses on the financial performance of our Group for the year ending 31 December 2018.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there has been no material change in our Group's financial or trading positions or prospect of our Company or our subsidiaries since 30 April 2018 (being the date of which our Group's latest audited consolidated financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 30 April 2018 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please see the section headed “Business – Our business strategies” of this prospectus for a detailed description of our future plans.

### USE OF PROCEEDS

We estimate the net proceeds of the Share Offer which we will receive, assuming an Offer Price of HK\$0.33 per Offer Share (being the mid-point of the Offer Price range of HK\$0.32 to HK\$0.34 per Offer Share), will be approximately HK\$101.4 million, after deduction of underwriting fees and commissions and estimated expenses payable in connection with the Share Offer.

We intend to apply the net proceeds from the Share Offer within 18 months from the Listing Date for the following purposes:

1. approximately 45.4%, or HK\$46.0 million, will be used to acquire machinery and equipment to upgrade and enlarge our fleet of machinery, a breakdown of the funds is as follows:

<b>Plant and machinery and motor vehicles</b>	<b>Number</b>	<b>Expected cost (HK\$' million)</b>
Crawler crane with lifting capacity of not less than 250 tonnes	1	15
Excavator with 25 tonnes of operating weight	5	5
Truck mounted concrete pump (vertical reach 52 m)	1	9
Hydraulic breaker	5	2
Crane lorry with lifting capacity of 45 tonnes	6	<u>15</u>
Total		<u><u>46</u></u>

Crawler crane and truck mounted concrete pump to be acquired are mainly for building construction, while other plant and machinery and motor vehicles above are commonly employed in both civil engineering and building construction projects.

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## FUTURE PLANS AND USE OF PROCEEDS

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During the Track Record Period, we have been spending on acquisition of plant and machinery and motor vehicles, which helped our Group to carry out works ourselves, rely less on subcontractors. The following table summarises the major types of plant and machinery and motor vehicles we own as at the Latest Practicable Date and we plan to acquire using the net proceeds from the Share Offer:

<b>Plant and machinery or motor vehicles</b>	<b>Number we owned as at the Latest Practicable Date</b>	<b>Number we intend to acquire using the net proceeds from the Share Offer</b>
Dumping lorry	16	–
Dumping lorry with grab	2	–
Air compressor	4	–
Bulldozer	3	–
Flatbed trailer	1	–
Diesel generator	4	–
Road sweeper	4	–
Excavator	8	5
Crane lorry	1	6
Crawler crane	2	1
Hydraulic rock breaker	1	5
Truck mounted concrete pump	–	1

The plant and machinery and motor vehicles in the table above are commonly used in civil engineering and building construction projects, and are highly relevant to our works. Other than excavators, crane lorries and crawler crane, the other machinery we plan to acquire were not owned by us as at the Latest Practicable Date. For crane lorry, crawler crane and hydraulic rock breaker, we only own one, two and one, respectively.

A hydraulic rock breaker is a powerful pounding hammer that is fitted to an excavator for demolishing rocks or hard structures. It is commonly used in roads and drainage, site formation and pile cap construction projects which involve excavation, breaking of rocks, concrete or road surface. For projects of larger scale, it is often that two or more excavators and/or hydraulic breakers are deployed on site daily.

Regarding crawler crane and crane lorry, they facilitate the transfer of materials needed within a construction site or between locations respectively. We only own one crane lorry and two crawler crane as at the Latest Practicable Date and we frequently need more of these equipment, which in the past we relied our third parties plant suppliers and subcontractors to provide. Our Directors believe that a crawler crane of high lifting capacity can also improve our operating efficiency, especially in pile cap



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## FUTURE PLANS AND USE OF PROCEEDS

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construction projects, where crawler crane is the dominant way for lifting heavy goods or tools vertically to and from ground and base of the excavated area and horizontally across the site.

Truck mounted concrete pumps are frequently used in our projects where there are concreting works. The construction of pile caps, roads and drainage works as well as construction of building superstructures and substructures usually involve pouring of massive concrete and truck mounted concrete pumps, when equipped with suitable boom, can place large volume of concrete quickly and hence enhance productivity and concrete quality and save time and costs by replacing or reducing manual transportation works.

Accordingly, although we had purchased plant and machinery and motor vehicles of approximately HK\$29,983,000 for the year ended 31 December 2017, which represented 77.5% of the total cost of plant and equipment as at 31 December 2017, and that most of our current machinery and equipment had an average age of 0.5 to 1.1 years, our Directors believe that it is in the best interest of our Company to acquire the plant and machinery and motor vehicles which we either do not own or have not owned sufficiently as discussed above.

Our Directors expect that the acquisition of new plant and equipment and motor vehicles will bring medium and long term benefits to our Group and is commensurate with our Group's past and future business strategies. Our Directors expect that the direct benefits of owning machinery and equipment over relying on those provided by subcontractors include, but not limited to, improvement in project profit margin – it is our own estimate with reference to certain completed projects that around 10-25% of the subcontracting work was plant cost and for the year ended 31 December 2017, subcontracting charges represented 8.8% of our revenue, suppose we did not require the subcontractors to provide any plant and machinery and could save the 10-25% subcontracting charges, our gross profit margin could improve by 0.9 to 2.2 percentage points without taking into account depreciation costs. The accounting depreciation for the newly acquired plant and machinery is 3-5 years but our Directors' experience suggests that the useful lives are generally longer. In other words, in the medium to long term when the plant and machinery are fully depreciated, the saving in plant and machinery of the subcontracting charges will not be offset by the depreciation expenses. While our projects in future depend on clients' invitations and their acceptance of our quotations or tenders, new machinery during the Track Record Period broadened our revenue source. Our Directors believe that the investments in plant and machinery, amounting to approximately HK\$18,248,000, and in motor vehicles, amounting to approximately HK\$20,053,000, in cost during the Track Record Period, were contributing to our Group's growth of revenue, which increased from approximately HK\$236,679,000 for the year ended 31 December 2015, to HK\$359,441,000 and HK\$397,349,000 for the years ended 31 December 2016 and 2017, respectively. Revenue growth was derived from new projects and the rental of machinery or vehicles. For example, we were awarded Job 20, a site formation project in Tuen Mun, partly because we demonstrated to our customer that we possessed and controlled directly the new fleet of dumping lorries and excavators, as well as road sweeper, which our Directors considered to have increased operating efficiency and

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## FUTURE PLANS AND USE OF PROCEEDS

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reduced overall costs to our customer. We also recognised additional rental income from the leasing of machinery for the year ended 31 December 2017, as compared to the years ended 31 December 2016 and 2015.

We have positioned ourselves as both a main contractor and a subcontractor in the civil engineering industry throughout our operation history and expanded into the building construction industry during the Track Record Period. Having such a business positioning, we need to be able to perform project management and the execution of works in both fields. We will need additional project management staff and new machinery to increase our capacity to execute the works ourselves. While they can be generally applied in civil engineering projects, the new machinery to be acquired, especially the crawler crane and truck mounted concrete pump, are mainly used for building construction projects and crane lorries and excavators are commonly applicable to building construction projects too.

Our Directors expect that there will be opportunities in the building construction segment but it will also take time to develop this business (please refer to the paragraph headed “Building construction project management” in point 2 below). Owning a strong and relevant fleet of machinery will offer confidence to our customers or development owners. Following the Listing, we plan to purchase the machinery and motor vehicles within 18 months from the Listing Date since we believe that it is appropriate to acquire them by stage as it will take time for us to be awarded with sufficient number of projects to deploy them. Accordingly, our Directors expect that for the year ending 31 December 2018, given that more than half of the financial year has already passed, the benefits of acquisition of new machinery may not be reflected in our results of operations. According to the Ipsos Report, the total gross output value of construction works performed by main contractors and subcontractors is forecast to grow with approximately HK\$37 billion at a CAGR of 2.8% from 2018 to 2022. The Ipsos Report expects that revenue from the building construction works industry in Hong Kong will increase from 2018 to 2022 as supported by the Government initiative to increase public housing supply, development programme of Kwun Tong North, Fanling North and other area development to increase the supply of both residential and commercial buildings. Our Directors will maintain a proactive attitude in exploring new opportunities and developing our business, in both civil engineering and building construction sectors. In particular for the building construction sector since we have commenced in June 2017, the proceeds we obtained from the Share Offer and the new machinery to be acquired will aid our efforts in expanding this business, in the midst that we have relied on short-term loans during and subsequent to the Track Record Period. In anticipation of the slowing growth in the civil engineering industry in Hong Kong as forecast in the Ipsos Report and the Government’s efforts to increase housing supply which would support the building construction industry, we have taken steps to expand and the building construction projects having undertaken by us so far make us confident that our planned expansion of machinery and equipment and motor vehicles is supported by market demand in the building construction industry and our intention and ability to enlarge market share. In the short to medium term, we target to undertake at least the current level of civil engineering projects plus building construction works of not less than HK\$50 million a year, starting the year ending 31 December 2019.

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## FUTURE PLANS AND USE OF PROCEEDS

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For the year ended 31 December 2017 and the four months ended 30 April 2018, we recorded gross rental income from leasing of plant and equipment of approximately HK\$9,530,000 and HK\$3,296,000, respectively, as in other income. Our Directors have always considered ways to maximise the utilisation of our motor vehicles and expand our source of income without interruption of our operations. We have derived rental income from the rental of dumping lorries to independent third parties at night after our normal business hours at day time. We also leased idling machinery such as air compressors, flatbed trailer and crawler crane when our projects did not utilise them. Our Directors will continue to lease our plant and machinery and motor vehicles to independent third parties on the basis that the rental would not have a detrimental effect on or delay our project works. New machinery are mainly used for the expansion in building construction sector while some types of new machinery may also help our Group undertake more civil engineering projects.

Before the listing of our Company, we acquired a number of machinery under finance lease arrangements. As at 30 April 2018, obligations under finance leases amounted to approximately HK\$8,832,000 and almost the entire balance is due within 2 years. Since (i) our Group has already had a number of finance leases ongoing and we repay instalments monthly, the acquisition of new machinery by the proceeds from the Share Offer will not increase our monthly burden of finance lease repayment; (ii) finance leases generally expire in 3 years and they charge interests but acquisition by using the net proceeds of the Share Offer does not incur any interest expenses and there is no repayment date as well; (iii) finance leases require, in general, not less than 20% down payment, the planned acquisition of machinery under finance leases will require aggregate down payment of not less than HK\$9.2 million; (iv) assuming a down payment of HK\$9.2 million is made and the remaining acquisition cost of HK\$36.8 million is financed by finance leases on 30 April 2018, our gearing ratio will significantly increase from 45.2% to 95.2%, a level which our Directors believe our Group will be highly leveraged; and (v) due to the nature of our Group's business, our Group may occasionally need to incur upfront expenses in projects before we can recover the expenses from future receipt of progress payments, as the repayment of finance leases has been cash generated from operations, if the planned acquisition of machinery is financed entirely by the finance leases, our ability to finance project startup costs may be hindered or we may not be able to undertake new projects as the funds have to be applied for repayment of finance leases first, our Directors are therefore of the view that finance leases for the above acquisition of plant and machinery are not preferred.

### ***Cost and benefit analysis for our Group for owning the machinery and motor vehicles rather than relying on subcontractors***

Our Directors consider that although initial costs will be incurred for the acquisition of machinery which will lead to subsequent depreciation expenses, costs of repair and maintenance and costs for storage, it is in the interest of our Group to own additional plant and machinery and motor vehicles as mentioned above. Further, we see the following benefits of owning the machinery and vehicles:

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## FUTURE PLANS AND USE OF PROCEEDS

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### *Common use of machinery and vehicles*

As explained above, the machinery and vehicles we intend to purchase are commonly used in our projects on a daily basis. Any sizeable roads and drainage and waterworks, ELS and pile cap construction, site formation and building projects will involve one or more type of such machinery or vehicles. When subcontracting the works, our Group will specify the scope a subcontractor should provide and request it to provide quotation. It is reasonable for a subcontractor to factor in the costs of machinery that are required in carrying out project works in the quotation to us, even though the costs of machinery may not be explicitly or separately presented in the quotation or as a schedule of rates item. Depending on the scale and progress requirements of the project, it is common that the subcontractors may not have sufficient machinery themselves even though they are required to provide such machinery in the subcontract with us and will rely on a combination of its owned machinery and machinery of other subcontractors or from other plant leasing companies to fulfil the project requirements. In any case, our provision of the necessary machinery will put our Group in a better position to negotiate an economical subcontract as we can carve out from the scope of the subcontract work the requirements to provide such machinery in order to lower the quoted price. In addition, if we decide to subcontract the works which need machinery input from our subcontractors, we will assess the costs of performing the subcontracted works if they were to be performed by our Group by taking into account just the depreciation costs of the machinery that we owned in order to understand the cost constituent of the subcontractor's quotation on machinery and hence the reasonableness of the quotation. We will also regularly obtain machinery quotations from machinery rental vendors to be informed of the prevailing plant cost. This will form our negotiation tactics to our subcontractors. When we prepare our own quotation or tender to customer, we may make use of the saved plant cost to present a more competitive price. It is not always possible to ask our subcontractors to disclose the cost of their owned machinery or explicitly provide a schedule of rates item for machinery, but our estimate with reference to certain completed projects that around 10-25% of the subcontracting work was plant cost. As discussed in the section headed "Financial Information – Recent development and financial performance", one of the projects completed during the year ended 31 December 2017 (Job 6) which had a large contract sum and higher than average overall gross profit margin and our Directors expect that none of the projects that are in progress may contribute the same scale of gross profit that also will have the same gross profit margin as Job 6 to our Group. As such, our Directors expect that the overall gross profit margin and amount of gross profit for the year ending 31 December 2018 will be lower than that for the year ended 31 December 2017. We anticipate the purchase of the plant and machinery and motor vehicles as planned above will be completed within 18 months after the Listing, i.e. by end of 2019 or early 2020. Hence, regarding the benefits of better position to negotiate with subcontractors, the effect will be gradual when we have the new projects which require the specific machinery that we will have purchased and have the need of subcontracting. Once we are able to formulate the refined scope of work for our subcontractors where they can save the costs of mobilising the machinery or vehicles we newly own, our Directors believe that the subcontractors will have to reduce the quotation to us. Accordingly, when other factors remain constant, we expect that our project profit margin can be

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## FUTURE PLANS AND USE OF PROCEEDS

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improved by using our own machinery to execute the works and relying less on subcontractors. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, subcontracting charges constituted about 62.1%, 45.3%, 59.8% and 52.6% of our total direct costs. With the machinery to be acquired, we target to reduce involvement of subcontractors and maintain subcontracting charges to be lower than 50% of the total direct costs starting the financial year ending 31 December 2020.

The projects undertaken by us cover different locations in Hong Kong. Our owned machinery can be deployed in different sites to best fit our schedule at any time. On the other hand, our subcontractors are engaged on a project-by-project basis and even though the subcontractors' machinery are idle on site, we may not be able to deploy those idle machinery to work on our another project to speed up its progress unless we incur additional costs and reach an agreement with the subcontractor. Our Directors thus also believe that having enlarged fleet of machinery and vehicles can enhance flexibility to schedule our projects and control quality and efficiency of our projects which in turn will improve our competitiveness.

### *Reaching out for subcontractors*

Once we possess the machinery and motor vehicles, we believe we will have a broader choice of subcontractors as we will be less reliant on well-established subcontractors equipped with the necessary machinery. According to the Ipsos Report, sufficient capital is required for machinery investment when entering the civil engineering industry. Our Directors believe that there are subcontractors in the market capable of providing skilled and quality work and operating machinery, although they do not own the machinery to perform the works. By providing our owned machinery to these potential subcontractors, we can broaden our subcontracting network and reduce subcontracting cost.

### *Relatively straight forward operation for the intended machinery and motor vehicles*

Our Directors take the view that machinery and motor vehicles we intend to acquire are general machinery and relatively straight forward to operate. We consider none of them to be specialised machinery that require specialist and specific operators to operate. Accordingly, if we rely on subcontractors to provide the machinery and motor vehicles, our Directors believe the value added on top of the part of provision of machinery is minimal and the provision of machinery by subcontractors to certain extent is similar to the rental of machinery from rental service provider.

The major costs for owning machinery and motor vehicles include the initial purchase costs, which will be charged to our profit or loss accounts as depreciation expenses over the useful lives of the machinery, the subsequent repair and maintenance costs and the costs of storage. The depreciation rates for machinery and motor vehicles are 20% and 30%, respectively, in accordance with our accounting estimates, if all the machinery and motor vehicles are purchased at the cost of HK\$46 million as budgeted above, annual depreciation expenses will be approximately HK\$10.5 million. Our Directors expect that these machinery will be stationed on site or leased out when not

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## FUTURE PLANS AND USE OF PROCEEDS

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used, costs of storage for these machinery are considered to be immaterial. In addition, our Directors also expect that the new machinery will be covered by warranty, repair and maintenance costs in the short term are expected to be immaterial relative to the depreciation expenses.

Our Directors also obtained quotations for rental of similar machinery from independent third parties and assuming 26 working days per month, the approximate monthly rental for the machinery are summarised in the table below:

<b>Machinery or equipment</b>	<b>Number</b>	<b>Approximate monthly rental (HK\$)</b>
Crawler crane with lifting capacity of not less than 250 tonnes	1	800,000
Excavator with 25 tonnes of operating weight and equipped with a hydraulic breaker	5	160,000
Truck mounted concrete pump (vertical reach 52 m)	1	200,000
Crane lorry with lifting capacity of 45 tonnes	6	<u>420,000</u>
Estimated annual rental cost		<u><u>18,960,000</u></u>

It is a market practice that rental price will include the depreciation cost, the costs of repair and maintenance of the leased machinery.

Our Directors expect that the annual depreciation expenses together with the costs of repair and maintenance for owned machinery will be lower than the costs of rental. It is the experience of our Directors that if the machinery are well maintained and serviced regularly, their useful lives are generally longer than 3-5 years.

Besides, the owning of machinery allows us to be less dependent on those owned by subcontractors and hence mitigate the risk of unavailability of the subcontractor, as occasionally during the Track Record Period, certain subcontractors may not be able to submit a quotation to us even though we extended our invitation as they did not possess the machinery or that their machinery had been engaged. We then needed to turn to other subcontractors. Our Directors are of the view that the impact of unavailability of subcontractor during the Track Record Period was mainly administrative inconvenience and immaterial overall. In expansion of our business, it is envisaged that to cope with the growing pipeline or projects that are machinery intensive, more subcontractors or machinery will be required, and there can be no assurance that the subcontractors will continue to accept our engagement, still possess the required machinery to complete the tasks or we can be able to identify new subcontractors to fill our expansion need, hence, since certain equipment we plan to purchase are relatively costly and not normally possessed by an average-sized subcontractor, the risk of unavailability of suitable subcontractors with acceptable quotation exists and such risk is expected to grow too.



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## FUTURE PLANS AND USE OF PROCEEDS

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### *Quality control on machinery and environmental compliance*

Due to environmental protection concern, aged machinery may fail to meet the customers' requirements from the perspective of environmental impact control particularly in public work projects. Our Directors will ensure that the new machinery can comply with environmental requirements with better operating efficiency and lower maintenance cost as compared to aged machinery. The new machinery will also comply with the emission standard prescribed under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation as well as machinery with proper quality powered mechanical equipment label issued by the EPD which are expected to be more environmentally friendly and more powerful or efficient than aged machinery. Therefore, our possession of own machinery gives us better control of the age of machinery and especially for projects in the public sector which may prescribe a maximum ratio of aged machinery. We will then be able to deploy the right mix of new machinery with subcontractors' aged machinery (if any) with respect to different customers' requirements.

2. approximately 31.3%, or HK\$31.7 million, will be divided into sums of HK\$9.0 million and HK\$22.7 million and used to finance both existing and the undertaking of a new building construction project, respectively. In August 2018, we were awarded an ELS and pile cap construction works project as the subcontractor in Yuen Long that has a contract sum of approximately HK\$116.1 million (Job 37). For Job 37, we are required to settle the premium for the surety bond in the amount of approximately HK\$12.9 million and arrange for insurance coverage and other preliminary expenses. The project is expected to commence in October 2018 and complete by January 2020. As at the Latest Practicable Date, the estimated start-up costs are approximately HK\$20.0 million. We expect HK\$9.0 million of the net proceeds will be financed as upfront working capital. In addition, since we have been registered as the Registered General Building Contractor with the Buildings Department in June 2017, we have been looking into opportunities of building construction projects and our Directors are optimistic on the demand of building construction in Hong Kong and we have been successful in securing new building works since then. As at the Latest Practicable Date, we have two building works projects as a subcontractor, which have an aggregate initial contract sum of approximately HK\$65.6 million. We consider that we will have new capacity with the plans of acquiring new machinery and recruitment of a building construction project management team and will pursue appropriate opportunities. Based on past experience, taking into account payments from customers are made in arrears after works are done and costs incurred, our Directors estimate that roughly two months' average cost of sales with reference to the cost of sales for the four months ended 30 April 2018 are required for our minimum working capital balance in order to meet our operational needs, that is approximately HK\$33.0 million. Our Directors believe that the Listing will provide the capital to our Group to pay the start-up costs of a building construction project, which would include the costs incurred for the taking out of surety bonds, usually in a sum of 10% of the contract sum, maintain contractor's insurance policies, purchase of construction materials, machinery and equipment rental and transportation, and payment to subcontractors. For the years ended 31 December 2015, 2016 and 2017 and the four months ended

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## FUTURE PLANS AND USE OF PROCEEDS

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30 April 2018, the premium plus collateral of nil, nil, nil and HK\$1,093,000, respectively, were paid for taking out surety bonds of nil, nil, nil and HK\$3,496,000, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, the premium plus collateral of HK\$1,525,000 were paid for taking out surety bond of approximately HK\$4,846,000. To the best knowledge of our Directors, surety bonds are required to be taken out regardless of our Group being listed or not but a listing status may entitle our Group to negotiate a banking facility that is specific for the purposes of surety bonds. As at the Latest Practicable Date, the aggregate contract value of tenders submitted but awaiting results amounted to approximately HK\$327.0 million and we are preparing quotations in response to six invitations received. The awards of contracts will be at the sole discretion of the Government departments and our customers.

3. approximately 11.8%, or HK\$12.0 million, for strengthening manpower for our existing civil engineering project management and setting up a new project management team for building construction to cater to the potential business opportunities arising from possible building construction or A&A projects. We expect the new project management team will enlarge our project execution power and strengthen our capacity to undertake main contractor projects in both the civil engineering and building sectors. The following table sets out a breakdown of the new project management staff we plan to employ after the Listing:

<b>Position to be employed</b>	<b>Number</b>	<b>Expected annual cost (HK\$' million)</b>
<b>Civil engineering</b>		
Project manager or site agent with at least 5 years of industry experience	1	1.2
Site engineer	1	0.8
Foreman	3	2.4
<b>Building construction</b>		
Project director with 5 to 10 years of building construction experience and professional qualification	1	1.8
Quantity surveyor with relevant degree and 5 years of experience in tendering and building construction quantity surveying and who may possess relevant professional qualification	1	1.2
Building services coordinator and project coordinator with qualification and experience	1	1.5
Planning engineer with university degree and 5 years of relevant experience	1	0.9
Site foreman	2	1.6
Safety officer with relevant certification	1	0.6
 Total		 <u>12</u>



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## FUTURE PLANS AND USE OF PROCEEDS

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### *Civil engineering project management*

Regarding civil engineering projects, throughout the Track Record Period and up to the Latest Practicable Date, we had 2 to 3 project managers and site agents. Site agents are project specific and stationed in the projects which we act as the main contractor. It is a general requirement for Government projects that the main contractor retains a site agent (who may assume the role as project manager) with acceptable educational background or qualification. In addition, when concrete works are included in the Government projects, the main contractor should also employ a foreman on site who is suitably experienced in concrete works. Our Directors believe that when we undertake more main contractor projects, our existing site agents and foremen might not have the necessary experience, educational background and/or professional qualification to work on new Government projects. Further, to support or project needs as we grow, we will need one more site engineer to control quality and procedures, handle material and document submissions and provide technical support.

Currently we are registered on the Approved Contractors List in Group A (Probation) under the Waterworks category and Group B (Probation) under the Site Formation and Roads and Drainage categories. For site formation and roads and drainage works in the public sector, we are eligible to tender or for award of any number of contracts that we already hold and being procured under the same category does not exceed HK\$300 million. As at the Latest Practicable Date, we currently undertake one Group B project in the site formation category with an awarded contract sum of HK\$93.0 million and one Group B project in the roads and drainage category with an awarded contract sum of HK\$42.5 million. We are allowed to tender for further Group A waterworks projects and Group B site formation and roads and drainage projects and our Directors plan to actively look for relevant opportunities. Once we are awarded any Government projects as the main contractor, at least one site agent and one foreman will be required to work on site according to the contract requirements.

### *Building construction project management*

As at the Latest Practicable Date, our Group does not maintain a building construction team for main contractor building works. Our Directors are of the view that the structure of a building construction project management team is similar to a civil engineering project management team, which should comprise (i) a project director, who is a senior project management staff overseeing all building works projects and performing overall project management function. In addition to building construction project management, an ideal project director candidate will also have an extensive network and good working relationship with developers in Hong Kong, architecture firms or project consultants who can assist our Group in developing business in the building construction industry, with an aim of being awarded main contractor building construction projects; (ii) quantity surveyor for building works, who performs cost control and handles contracting issues; (iii) engineer, who performs project planning and quality control as well as other technical support for labour, materials, equipment and progress issues; (iv)

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## FUTURE PLANS AND USE OF PROCEEDS

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foremen; who coordinate and supervise workers and subcontractors; and (v) safety officer, who is responsible for the construction health and safety issues. In addition, building services coordinators or project coordinators are often required for all the building services and electrical and mechanical installation matters, as well as fitting-out works in the construction of building superstructures.

Our Directors expect that the new building construction project management team will be able to undertake at least one project of construction of high rise building or two or more small house construction projects as the main contractor.

4. Approximately 5.6% or HK\$5.7 million, will be applied for the repayment of existing finance lease obligations; and
5. Approximately 5.9%, or HK\$6.0 million, will be applied for our general working capital, including the upgrading and maintenance of our internal accounting systems.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range stated in this prospectus.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.34 per Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$3.8 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.32 per Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$3.8 million.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we will carefully evaluate the situation and it is our present intention to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as described above.

### REASONS FOR THE LISTING

Our Directors consider that the Listing will signify an important milestone for Ming Shing in its long history of business development. It will be a recognition for our efforts and contribution in the civil engineering industry in Hong Kong. In addition, the Listing will bolster our reputation as we believe a public listing status will benefit in gaining customer's confidence as our Directors' accountability, informational transparency, financial disclosure as well as corporate governance standard will be available for assessment. The Listing will also provide our Group with opportunities to tender for projects which some customers may impose a listing status as a prerequisite. Our Group does not have any customers which had imposed a listing status as a prerequisite, but our Directors note that building contractors undertaking major developers' projects are usually listed groups and believe that the listing status will help our Group to get on developers' tenderer lists.

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## FUTURE PLANS AND USE OF PROCEEDS

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Since June 2017, Ming Shing is registered as the General Building Contractor with the Buildings Department and is permitted to take in building construction projects as the main contractor. On top of our civil engineering business, our Directors have formulated plans to expand our business in building construction, to be both a main contractor and a subcontractor. As a first step, we will establish a building construction project management team which is to be led by a project director who will have extensive network and good working relationship with developers in Hong Kong, architecture firms or project consultants. Our Directors understand that property developers and architecture firms or project consultants usually adopt selective tendering in the engagement of building contractors and to successfully tap into this business, building up a relevant network will increase the chance to be included in the approved lists of contractors of the relevant developers. Hence, the project director candidate will mainly be responsible for building construction business development, on top of leading a construction project management team. Our Group will also continue to explore our own network and seek other referrals in building construction, including both subcontracting and main contracting projects. Following the registration of Registered General Building Contractor and up to the Latest Practicable Date, we have been engaged in and awarded 2 building projects as a subcontractor and a foundation, ELS and pile cap works project as the main contractor which required the qualification as a Registered General Building Contractor. In addition, as we were the main contractor for the ELS and pile cap works of a proposed residential development in Kowloon City, we were invited by the property developer, which is a leading developer in Hong Kong, to prepare tender for the building construction works at the same site, though we were informed unsuccessful in the later stage of the tendering. We have also applied for being the approved subcontractor for two main contractors that belong to two of the Hong Kong's top developers. We believe that the job references in subcontracting works will be helpful in securing future building construction projects as a main contractor, too. The Listing provides the committed funds to support the acquisition of machinery and the recruitment of a building construction project management team, details of which are stated in this section above.

According to the Ipsos Report, the revenue of the building construction works industry in Hong Kong increased from HK\$72.9 billion in 2012 to HK\$128.1 billion in 2017, at a CAGR of approximately 11.9%. The Ipsos Report expects that revenue from the building construction works industry in Hong Kong will increase from 2018 to 2022 as supported by the Government initiative to increase public housing supply, development programme of Kwun Tong North, Fanling North and other area development to increase the supply of both residential and commercial buildings. As we have been awarded two building works projects during and after the Track Record Period as a subcontractor, our Directors believe that our Group will be ready to take up further opportunities arising from the building works industry. Our Directors are of the view that the Listing will provide the new capital which will be crucial for our business expansion, especially for obtaining market share in building construction. We intend to step up our efforts by actively seeking opportunities in undertaking building construction and A&A projects and net proceeds are planned for acquiring additional machinery equipment, recruitment talents and supporting working capital requirements.

To the broader extent, our Directors consider that the Listing will benefit our Group in different levels as discussed below:

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## FUTURE PLANS AND USE OF PROCEEDS

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**(i) Enhance our corporate profile and credibility**

Our Directors believe that our customers would prefer doing business with a listed company to a private company given the expected transparency offered by a listed company, especially from its regular financial reporting and regulatory announcements. In addition, we believe the Listing will signal our credibility to our customers, suppliers and subcontractors as we are committed to not only providing our services but also our business plans as disclosed herein.

**(ii) Enhance market status among our customers, suppliers and subcontractors**

Our Directors take the view that the Listing will enhance our status and competitiveness for carrying out our project works and submitting our quotations. We believe the Listing will differentiate us from other unlisted competitors during the tendering process, provide useful information for our customers to assess our capability and hence improve our chance for competing for key projects.

**(iii) Better access to capital markets and increase financial flexibility**

The Listing will establish our shareholder base and provide a separate fund raising platform to finance the growth and expansion of our business.

**(iv) Boost our staff morale and loyalty**

We believe the Listing will be respected by our staff, including those of our subcontractors. In choosing between working for a listed or private company, our Directors believe that job security, self-esteem and financial confidence will be offered by the Listing. Moreover, our Directors consider that the listing status will enable us to attract more talents to join our Group.

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

#### **Bookrunner and Lead Manager**

Frontpage Capital Limited

#### **Co-Managers**

AAA Securities Co. Limited

Long Asia Securities Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **The Public Offer**

##### **Public Offer Underwriting Agreement**

Pursuant to the Public Offer Underwriting Agreement, we are offering 40,000,000 Public Offer Shares (subject to reallocation) for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued; and (ii) certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus, the related Application Forms and the Public Offer Underwriting Agreement, for the Public Offer Shares now being offered and which are not taken up under the Public Offer.

The Public Offer Underwriting Agreement is conditional upon 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**

If prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there comes to the notice of the Lead Manager or any of the Public Offer Underwriters:
  - (i) that any statement contained in any of this prospectus, the Application Forms, the Formal Notice and any announcements issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading, or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the Formal Notice and/or any announcements issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, in each case when taken as a whole; or

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## UNDERWRITING

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- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and having not been disclosed in this prospectus, constitute a material omission therefrom; or
  - (iii) any breach of any of the obligations imposed upon any Group Company, any executive Directors or any Controlling Shareholders;
  - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Public Offer Underwriting Agreement; or
  - (v) any adverse change or development involving a prospective change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any Group Company; or
  - (vi) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (vii) our Company withdraws this prospectus (and any other documents used in connection with the contemplated subscription and/or purchase of the Shares) or the Share Offer; or
- (b) there shall develop, occur, exist or come into effect:
- (i) commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, accident or interruption or delay in transportation or acts of terrorism or any state of emergency or calamity or crisis in or affecting any of Hong Kong, the Cayman Islands, the BVI or any other jurisdictions relevant to any member of our Group or the Share Offer (the “**Relevant Jurisdictions**”); or
  - (ii) any change or development involving a prospective change or development, or any event or series of events, likely to result in or represents any change or prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system or matters and/or disaster (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US, imposition or declaration of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material devaluation of Hong Kong dollars against the U.S. dollars) in or affecting any of the Relevant Jurisdictions; or

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## UNDERWRITING

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- (iii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the Cayman Islands or the BVI, or there is a material disruption in commercial banking or securities settlement or clearance services in those places; or
- (iv) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
- (v) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions; or
- (vi) a change or development occurs involving a prospective change in taxation or foreign investment regulations (or the implementation of any exchange control) in any of the Relevant Jurisdictions and an investment in the Shares; or
- (vii) any litigation or claim of any third party being threatened or instigated against any Group Company; or
- (viii) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (ix) the commencement by any regulatory or political body or organisation of any action against a Director or an announcement by any regulatory or political body or organisation that it intends to take any such action; or
- (x) a contravention by any Group Company of the Companies Ordinance, the SFO, or any of the Listing Rules; or
- (xi) a prohibition on our Company for whatever reason from allotting or selling the Shares pursuant to the terms of the Share Offer; or
- (xii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription for and/or purchase of the Shares) or any aspect of the Share Offer with the Listing Rules or any other applicable law or regulation; or
- (xiii) other than with the approval of the Lead Manager and the Public Offer Underwriters (such approval not to be unreasonably withheld), the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription for and/or purchase of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules; or



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## UNDERWRITING

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- (xiv) a petition is presented or an order is made for the winding up or liquidation of any Group Company or any Group Company 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 Group Company or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any material Group Company; or
- (xv) 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 calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (xvi) any loss or damage sustained by any Group Company,

which, in any such case and in the sole and absolute opinion of the Lead Manager:

- (a) is or may individually or in the aggregate have a material adverse effect on the business, financial, trading position or other condition or prospects of our Group as a whole; or
- (b) is or has or may have a material adverse effect on the success of the Public Offer or the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (c) is or may make it inadvisable or impracticable for Public Offer and/or the Share Offer to proceed or to market the Public Offer and/or the Share Offer in any material respects; or
- (d) is or may have the effect of making any part of the Public Offer Underwriting Agreement incapable of performance in accordance with its terms in any material respects,

then the Lead Manager (for itself and on behalf of the Public Offer Underwriters) may in its sole and absolute discretion, upon giving notice in writing to our Company prior to 8:00 a.m. on the Listing Date, terminate the Public Offer Underwriting Agreement with immediate effect.

### ***Undertakings to the Stock Exchange pursuant to the Listing Rules***

#### ***(A) Undertakings by our Company***

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the



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## UNDERWRITING

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Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules or pursuant to the Share Offer.

*(B) Undertakings by our Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that, save as permitted under the Listing Rules, he or it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) (the “**Banking Ordinance**”) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when he or it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

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## UNDERWRITING

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### *Undertakings pursuant to the Public Offer Underwriting Agreement*

#### *(A) Undertakings by our Company*

Our Company have, pursuant to the Public Offer Underwriting Agreement, undertaken to each of the Sponsor, the Bookrunner, the Lead Manager and the Public Offer Underwriters that our Company will except pursuant to or contemplated under the Share Offer and the exercise of the options that may be granted under the Share Option Scheme, not, without the prior written consent of the Sponsor and the Lead Manager (for itself and on behalf of the Public Offer Underwriters) and subject to the provisions of the Listing Rules:

- (a) not at any time from the date of this prospectus up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”):
  - (i) offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right, warrant or other rights to subscribe for any Shares or other securities of our Company 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 subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or 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 such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction;
  - (ii) issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company agree to do any of the foregoing, except pursuant to the Share Offer;
- (b) at any time within the six-month period immediately following the First Six-Month Period (the “**Second Six-Month Period**”) do any of the acts set out in paragraph (a) above such that our Controlling Shareholders together, directly or indirectly, would together cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules) except in compliance with the Listing Rules; and
- (c) in the event that our Company does any of the acts set out in paragraph (a) above, after the expiry of the First Six-Month Period or the Second Six-Month Period, as the case may be, take all reasonable steps to ensure that any such act,

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## UNDERWRITING

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if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein except in compliance with the Listing Rules.

*(B) Undertakings by our Controlling Shareholders*

Each of the Controlling Shareholders has jointly and severally agreed, represented, warranted and undertaken to the Sponsor, the Bookrunner, the Lead Manager, the Public Offer Underwriters and our Company that:

- (a) during the First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding on trust for himself/itself shall not, without the prior written consent of the Sponsor and the Lead Manager or otherwise in compliance with the requirements of the Listing Rules, (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such 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 such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above, except in the event of any of the Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules;
- (b) he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Stock Exchange (if required under the Listing Rules) during 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 Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be controlling shareholder (as defined in the Listing Rules) of our Company or the aggregate interest of all members of the Controlling Shareholders would be less than 30% of our Company's issued share capital except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as

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## UNDERWRITING

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security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules; and

- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-Month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

Without prejudice to the above provisions, each of our Controlling Shareholders has jointly and severally undertaken to the Sponsor, the Lead Manager, the Bookrunner, the Public Offer Underwriters and our Company that within the First Six-Month Period and the Second Six-Month Period, he or it shall:

- (i) if and when he or it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company, the Sponsor and the Lead Manager in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (ii) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company, the Sponsor and the Lead Manager in writing of such indications.

Our Company will notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

### ***Indemnity***

Our Company and our Controlling Shareholders have agreed to indemnify the Sponsor, the Lead Manager and the Public Offer Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company of the Public Offer Underwriting Agreement.

### **The Placing**

#### ***Placing Underwriting Agreement***

In connection with the Placing, it is expected that our Company and the Controlling Shareholders will enter into the Placing Underwriting Agreement with, among others, the Bookrunner, the Lead Manager and the Placing Underwriters on or about Monday, 22 October 2018. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, agree to procure subscribers to subscribe for and/or purchase the Placing Shares being offered pursuant to the Placing, or failing which to subscribe for

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## UNDERWRITING

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and/or purchase, their respective applicable proportions of such Placing Shares which are not taken up under the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting Arrangements and Expenses – The Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

It is expected that each of the Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Underwriting Arrangements and Expenses – The Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

### **Commission and expenses and the Sponsor’s fee**

According to the terms and conditions of the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 5.0% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing, an underwriting commission at the rate applicable to the Placing will be paid to the relevant Placing Underwriters (but not the Public Offer Underwriters). Underwriting commission will be payable by our Company for the number of Offer Shares offered for subscription in the Share Offer.

Based on an Offer Price of HK\$0.33 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commissions (exclusive of any discretionary incentive fee (if any)), together with the Stock Exchange listing fees, SFC transaction levy, the Stock Exchange trading fee and other expenses relating to the Share Offer to be borne by our Company are estimated to amount to approximately HK\$30,615,000. An aggregate amount of HK\$4,800,000 is payable by our Company as sponsor fees to the Sponsor for acting as the sponsor in the Share Offer.

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## UNDERWRITING

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### **SPONSOR'S INDEPENDENCE**

The Sponsor satisfies the independence criteria applicable to Sponsors set out in Rule 3A.07 of the Listing Rules.

### **The Sponsor's, Lead Manager's and Underwriters' interest in our Company**

The Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the first full financial year after the Listing Date and our Company will pay to the Sponsor an agreed fee for its provision of services as required under the Listing Rules.

Following the completion of the Share Offer, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligation under the Underwriting Agreements.

Save for their interests and obligations under the Underwriting Agreements and the advisory and documentation fee payable to the Sponsor in respect of the Share Offer, none of the Sponsor, the Lead Manager and the Underwriters or any of their close associates is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

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

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### **THE SHARE OFFER**

This prospectus is published in connection with the Share Offer. Frontpage Capital is the Sponsor, the Bookrunner and the Lead Manager of the Share Offer.

The Share Offer comprises:

- (a) the Public Offer of 40,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as further described in the paragraph headed “The Public Offer” below; and
- (b) the Placing of 360,000,000 Shares (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional and other investors, as further described in the paragraph headed “The Placing” below.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Offer Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have applied for Public Offer Shares in the Public Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

The Offer Shares will represent 25% of the enlarged total issued shares of our Company immediately after completion of the Share Offer.

The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “The Public Offer – Reallocation” and “The Placing – Reallocation” below.

### **THE PUBLIC OFFER**

#### **Number of Shares Initially Offered**

Our Company is initially offering 40,000,000 Shares at the Offer Price, representing 10% of the Offer Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to the reallocation as mentioned below, the number of Offer Shares initially offered under the Public Offer will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Share Offer.

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer.”



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### Allocation

The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools for allocation purposes as follows:

- (a) Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of HK\$5 million or less.
- (b) Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of more than HK\$5 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are under-subscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 50% of the Public Offer Shares initially available for subscription under the Public Offer will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not received any 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).

### Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation under the Listing Rules. Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. If the number of Offer Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Public Offer,



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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then Offer Shares will be reallocated to the Public Offer from the Placing. As a result of such reallocation, the total number of Offer Shares available under the Public Offer will be increased to 120,000,000 Offer Shares (in the case of (i)), 160,000,000 Offer Shares (in the case of (ii)) and 200,000,000 Offer Shares (in the case of (iii)) representing 30%, 40%, and 50% of the Offer Shares initially available under the Share Offer, respectively.

In such case, the number of Offer Shares allocated to the Placing will correspondingly be reduced, and such additional Public Offer Shares will be re-allocated to Pool A and Pool B in the Public Offer in such manner as the Lead Manager deems appropriate. In addition, the Lead Manager may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. If the Public Offer is not fully subscribed for, the Lead Manager has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Lead Manager deem appropriate. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Lead Manager. With reference to Guidance Letter HKEX-GL91-18, if such reallocation is done other than pursuant to paragraphs (i), (ii) or (iii) above, the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer i.e. 80,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

### **Applications**

Each applicant under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he/she/it has been or will be placed or allocated Placing Shares under the Placing.

The listing of the Shares on the Stock Exchange is sponsored by the Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.34 per Offer Share in addition to the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$2,747.41 for one board lot of 8,000 Shares.

If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and allocation" below, is less than the maximum Offer Price of HK\$0.34 per Offer Share, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE PLACING

#### Number of Shares Initially Offered

Subject to the reallocation as described above, the number of Shares to be initially offered under the Placing will be 360,000,000 Shares, representing 90% of the Offer Shares under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer, without taking into account Offer Shares issuable upon exercise of any options granted under the Share Option Scheme. The Placing Shares are expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

#### Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. Placing Shares will be selectively placed with certain professional and institutional investors and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, 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, and/or hold or sell, Shares after the listing of the Shares on the Stock Exchange.

Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to our benefit and to that of the shareholders as a whole.

The Lead Manager (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Lead Manager 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.

#### Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed "The Public Offer – Reallocation" above, the exercise of any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### PRICING AND ALLOCATION

#### Determining the Offer Price

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the Placing which they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Monday, 22 October 2018 and in any event on or before Friday, 26 October 2018, by agreement between the Lead Manager (for itself and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

#### Offer price range

The Offer Price will be not more than HK\$0.34 per Share and is expected to be not less than HK\$0.32 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

#### Price payable on application

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.34 for each Public Offer Share (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), amounting to a total of HK\$2,747.41 for each board lot of 8,000 Shares. If the Offer Price is less than HK\$0.34, appropriate refund payments (including the brokerage fee, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications. For details, please refer to the section headed “How to Apply for the Public Offer Shares – 12. Refund of application monies” of this prospectus.

If, for any reason, our Company and the Lead Manager (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Friday, 26 October 2018, the Share Offer will not proceed and will lapse.

#### Reduction in indicative Offer Price range and/or number of Offer Shares

The Lead Manager (for itself and on behalf of the Underwriters), may where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative offer

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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price range and/or the number of Offer Shares below those stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.fullwealth.hk](http://www.fullwealth.hk) notices of the reduction in the indicative Offer Price range and/or number of Offer Shares. Upon issue of such a notice, the revised indicative Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Lead Manager (for itself and on behalf of the Underwriters) and our Company will be fixed within such revised range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Lead Manager (for itself and on behalf of the Underwriters) and our Company will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer 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.

In the event of a reduction in the number of Offer Shares, the Lead Manager may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Lead Manager.

### **Announcement of final Offer Price and basis of allocations**

The applicable final Offer Price, the level of indications of interest in the Placing, the results of applications and the basis of allocation of the Public Offer Shares are expected to be announced on Monday, 29 October 2018 on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.fullwealth.hk](http://www.fullwealth.hk).

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** Application Form and **YELLOW** Application Form, or by giving **electronic application**

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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**instructions** to HKSCC will be made available through a variety of channels as described in the section “How to Apply for The Public Offer Shares – 10. Publication of results” in this prospectus.

### UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Lead Manager (for itself and on behalf of the Public Offer Underwriters) agreeing on the Offer Price.

Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Offer Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer on the Main Board (including the Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme);
- the Price Determination Agreement having been duly executed on the Price Determination Date and such agreement not subsequently having been terminated;
- the Offer Price having been duly agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriters);
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

In each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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**If, for any reason, the Offer Price is not agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriters) on or before Friday, 26 October 2018, the Share Offer will not proceed and will lapse.**

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.fullwealth.hk](http://www.fullwealth.hk) on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the subsection headed “How to Apply for the Public Offer Shares – 13. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Monday, 29 October 2018, and will only become valid at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Tuesday, 30 October 2018, provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the subsection headed “Underwriting – Underwriting Arrangements and Expenses – The Public Offer – Grounds for Termination” in this prospectus has not been exercised.

### ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS.

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

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### **DEALING ARRANGEMENTS**

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 30 October 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 30 October 2018.

The Shares will be traded in board lots of 8,000 Shares each. The stock code of the Shares will be 1034.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 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** Application Form or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Lead Manager, 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** Application Form or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his/her 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 Lead Manager, may accept it at its discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are an associate or a close associate (as defined in the Listing Rules) of any of the above;
- are a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Monday, 15 October 2018 until 12:00 noon on Friday, 19 October 2018 from:

- (a) any of the following offices of the Lead Manager:

<b>Name</b>	<b>Address</b>
Frontpage Capital Limited	26/F, Siu On Centre 188 Lockhart Road Wanchai Hong Kong

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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(b) any of the following branches of the following receiving bank:

Industrial and Commercial Bank of China (Asia) Limited

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
Hong Kong Island	Wan Chai Branch	117-123 Hennessy Road, Wan Chai, Hong Kong
Kowloon	Tsim Sha Tsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon
New Territories	Yuen Long Branch	G/F, 197-199 Castle Peak Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Monday, 15 October 2018 until 12:00 noon on Friday, 19 October 2018 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

### **Time for Lodging Application Forms**

Your completed **WHITE** Application Form or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**ICBC (Asia) Nominee Limited – Fullwealth Construction 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:

**Monday, 15 October 2018 – 9:00 a.m. to 5:00 p.m.**  
**Tuesday, 16 October 2018 – 9:00 a.m. to 5:00 p.m.**  
**Thursday, 18 October 2018 – 9:00 a.m. to 5:00 p.m.**  
**Friday, 19 October 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 Friday, 19 October 2018, the last application day or such later time as described in the paragraph headed "9. Effect of Bad Weather on the Opening of the Application Lists" in this section below.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (or 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 Lead Manager (or its 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 (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Bookrunner, the 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 Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Sponsor, the Hong Kong Branch Share Registrar, the receiving bank, the Bookrunner, the 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;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (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 Sponsor, the Bookrunner, the Lead Managers and the Underwriter nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Hong Kong branch share register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sponsor and the 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** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by anyone as your agent or by any other person; and

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional instructions for Yellow Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

and complete an input request form.

You can also collect a copy of this 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 Lead Manager and the Hong Kong Branch Share Registrar.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the 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;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- 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 Sponsor, the Lead Manager, the Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Sponsor, our Hong Kong Branch Share Registrar, the receiving bank, the 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 a 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 a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance 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 **electronic application instructions** to apply for Public Offer Shares;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### **Effect of giving electronic application instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### **Minimum purchase amount and permitted numbers**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 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 relevant Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### **Time for inputting electronic application instructions**

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

**Monday, 15 October 2018 – 9:00 a.m. to 8:30 p.m.**  
**Tuesday, 16 October 2018 – 8:00 a.m. to 8:30 p.m.**  
**Thursday, 18 October 2018 – 8:00 a.m. to 8:30 p.m.**  
**Friday, 19 October 2018 – 8:00 a.m. to 12:00 noon**

The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 15 October 2018 until 12:00 noon on Friday, 19 October 2018 (24 hours daily, except on Friday, 19 October 2018 the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 19 October 2018, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section below.

### **No multiple applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the 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.

### 6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such 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 Sponsor, the Lead Manager, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** Application Form 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 Tuesday, 30 October 2018.

### 7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

**All** of your applications will be rejected if more than one application on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- 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; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** Application Form and **YELLOW** Application Form have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** Application Form or **YELLOW** Application 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 relevant Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer – Pricing and Allocation” of this prospectus.

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 19 October 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 Friday, 19 October 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” in this prospectus, an announcement will be made in such event.

### 10. PUBLICATION OF RESULTS

Our Company expect to announce the final Offer Price, the level of indication of interest in the Placing, the results of applications and the level and the basis of allocation of the Public Offer Shares on Monday, 29 October 2018 on our website at [www.fullwealth.hk](http://www.fullwealth.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.fullwealth.hk](http://www.fullwealth.hk) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Monday, 29 October 2018;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 29 October 2018 to 12:00 midnight on Sunday, 4 November, 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 29 October 2018 to Thursday, 1 November 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 29 October 2018 to Wednesday, 31 October 2018 at all the receiving bank branches and sub-branches.

If our Company accept 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” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, 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 a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

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 Lead Manager and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated, (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your 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 Lead Manager believes 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 50% of the Public Offer Shares initially offered under the Public Offer.

### **12. REFUND OF APPLICATION MONIES**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.34 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 29 October 2018.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** Application Form, **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Form, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 29 October 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’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 30 October 2018 provided that the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised and the Share Offer has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Personal Collection

#### *(i) If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/ or Share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 29 October 2018 or such other date as notified by us at [www.hkexnews.hk](http://www.hkexnews.hk).

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to 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 Monday, 29 October 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 for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 29 October 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 Monday, 29 October 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

*If you are applying 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.



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "10. 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 Monday, 29 October 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 CCASS Internet System.

### *(iii) If you apply via electronic application instructions to HKSCC*

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 29 October 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 the paragraph headed "10. Publication of results" above on Monday, 29 October 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 29 October 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- 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 Monday, 29 October 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, 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 Monday, 29 October 2018.

### 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the 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 arrangements as such arrangements may affect their rights and interests.

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

*The following is the text of a report set out on pages I-1 to I-56, received from our Company's reporting accountants, Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



國富浩華 (香港) 會計師事務所有限公司  
Crowe (HK) CPA Limited

香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FULLWEALTH CONSTRUCTION HOLDINGS COMPANY LIMITED AND FRONTPAGE CAPITAL LIMITED

### Introduction

We report on the historical financial information of Fullwealth Construction Holdings Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-56, which comprises the consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 April 2018, the statement of financial position of the Company as at 30 April 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the three years ended 31 December 2015 and 2016 and 2017 and the four months ended 30 April 2018 (the “**Relevant Periods**”), 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-56 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 15 October 2018 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on 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 Notes 1(a) and (b) to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the 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 have 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 Notes 1(a) and (b) 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 purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015, 2016 and 2017 and 30 April 2018 and the Company's financial position as at 30 April 2018 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Notes 1(a) and (b) to the Historical Financial Information.

### **Review of stub period corresponding financial information**

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2017 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information set out in Notes 1(a) and (b) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding 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 of the Stub Period Corresponding Financial Information 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 Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Notes 1(a) and (b) to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*****Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

***Dividends***

We refer to Note 9 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

***No statutory financial statements for the Company***

No statutory financial statements have been prepared for the Company since its date of incorporation.

**Crowe (HK) CPA Limited**  
*Certified Public Accountants*  
Hong Kong, 15 October 2018

**Yau Hok Hung**  
Practising Certificate Number P04911

## I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Crowe (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in HK dollars ("HK\$") and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

### 1. Consolidated statements of profit or loss and other comprehensive income

	Note	Year ended 31 December			Four months ended 30 April	
		2015 HK\$'000 (Note)	2016 HK\$'000 (Note)	2017 HK\$'000 (Note)	2017 HK\$'000 (Note) (Unaudited)	2018 HK\$'000
<b>Revenue</b>	3	236,679	359,441	397,349	70,294	74,446
Direct costs		<u>(217,152)</u>	<u>(324,906)</u>	<u>(338,534)</u>	<u>(65,522)</u>	<u>(66,802)</u>
<b>Gross profit</b>		19,527	34,535	58,815	4,772	7,644
Other income	4	131	3,433	4,288	490	728
General and administrative expenses		<u>(3,033)</u>	<u>(3,895)</u>	<u>(7,168)</u>	<u>(1,133)</u>	<u>(8,341)</u>
<b>Profit from operation</b>		16,625	34,073	55,935	4,129	31
Finance costs	5(a)	<u>(14)</u>	<u>(6)</u>	<u>(703)</u>	<u>(70)</u>	<u>(353)</u>
<b>Profit/(loss) before taxation</b>	5	16,611	34,067	55,232	4,059	(322)
Income tax	6	<u>(2,400)</u>	<u>(5,600)</u>	<u>(9,621)</u>	<u>(670)</u>	<u>(1,013)</u>
<b>Profit/(loss) and total comprehensive income for the year/period</b>		<u>14,211</u>	<u>28,467</u>	<u>45,611</u>	<u>3,389</u>	<u>(1,335)</u>

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated (See Note 1(a)).

The accompanying notes form part of this Historical Financial Information.

## 2. Consolidated statements of financial position

	Note	At 31 December			At
		2015	2016	2017	30 April
		HK\$'000	HK\$'000	HK\$'000	2018
		(Note)	(Note)	(Note)	HK\$'000
<b>Non-current assets</b>					
Plant and equipment	11	766	8,282	30,736	29,525
Deposit for acquisition of plant and equipment		—	446	—	—
<b>Total non-current assets</b>		<u>766</u>	<u>8,728</u>	<u>30,736</u>	<u>29,525</u>
<b>Current assets</b>					
Gross amount due from customers for contract work	14(a)	52,983	42,163	68,148	—
Contract assets	14(b)	—	—	—	45,479
Trade and other receivables	12	38,785	46,113	90,603	50,387
Cash and cash equivalents	13	4,735	20,062	27,754	29,624
		96,503	108,338	186,505	125,490
<b>Current liabilities</b>					
Gross amount due to customers for contract work	14(a)	(1,000)	—	—	—
Contract liabilities	14(c)	—	—	—	(458)
Trade and other payables	15	(74,776)	(61,734)	(107,837)	(42,019)
Borrowings	16	—	—	(18,000)	(24,464)
Obligations under finance leases	17	(208)	(19)	(4,610)	(4,666)
Tax payable	18(a)	(2,113)	(7,295)	(2,455)	(3,554)
		<u>(78,097)</u>	<u>(69,048)</u>	<u>(132,902)</u>	<u>(75,161)</u>
<b>Net current assets</b>		<u>18,406</u>	<u>39,290</u>	<u>53,603</u>	<u>50,329</u>
<b>Total assets less current liabilities</b>		19,172	48,018	84,339	79,854
<b>Non-current liabilities</b>					
Obligations under finance leases	17	(39)	—	(5,741)	(4,166)
Deferred tax liabilities	18(b)	—	(418)	(2,387)	(2,055)
<b>Total non-current liabilities</b>		<u>(39)</u>	<u>(418)</u>	<u>(8,128)</u>	<u>(6,221)</u>
<b>Net assets</b>		<u>19,133</u>	<u>47,600</u>	<u>76,211</u>	<u>73,633</u>

		At 31 December			At 30 April
	Note	2015	2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note)	(Note)	(Note)	
<b>Capital and reserves</b>					
Share capital	19(b)	5,760	5,760	5,760	–*
Reserves		<u>13,373</u>	<u>41,840</u>	<u>70,451</u>	<u>73,633</u>
<b>Total equity</b>		<u>19,133</u>	<u>47,600</u>	<u>76,211</u>	<u>73,633</u>

\* The balance represents an amount less than HK\$1,000.

*Note:* The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated (See Note 1(a)).

The accompanying notes form part of this Historical Financial Information.

### 3. Consolidated statements of changes in equity

	Note	Share capital	Other reserve	Retained earnings	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note (i))		
<b>Balance at 1 January 2015</b>		5,760	–	(118)	5,642
<b>Changes in equity for 2015</b>					
Profit and other comprehensive income for the year		–	–	14,211	14,211
Dividends declared	9	<u>–</u>	<u>–</u>	<u>(720)</u>	<u>(720)</u>
<b>Balance at 31 December 2015</b>		<u>5,760</u>	<u>–</u>	<u>13,373</u>	<u>19,133</u>
<b>Balance at 1 January 2016</b>		5,760	–	13,373	19,133
<b>Changes in equity for 2016</b>					
Profit and other comprehensive income for the year		<u>–</u>	<u>–</u>	<u>28,467</u>	<u>28,467</u>
<b>Balance at 31 December 2016</b>		<u>5,760</u>	<u>–</u>	<u>41,840</u>	<u>47,600</u>
<b>Balance at 1 January 2017</b>		5,760	–	41,840	47,600
<b>Changes in equity for 2017</b>					
Profit and other comprehensive income for the year		–	–	45,611	45,611



	<i>Note</i>	<b>Share capital</b> <i>HK\$'000</i>	<b>Other reserve</b> <i>HK\$'000</i> <i>(Note (i))</i>	<b>Retained earnings</b> <i>HK\$'000</i>	<b>Total equity</b> <i>HK\$'000</i>
Dividends declared	9	—	—	(17,000)	(17,000)
<b>Balance at 31 December 2017</b>		<u>5,760</u>	<u>—</u>	<u>70,451</u>	<u>76,211</u>
<b>Balance at 31 December 2017</b>		5,760	—	70,451	76,211
Impact on initial application of HKFRS 15		—	—	(1,243)	(1,243)
<b>Adjusted balance at 1 January 2018</b>		5,760	—	69,208	74,968
<b>Changes in equity for the four months ended 30 April 2018</b>					
Profit/(loss) and other comprehensive income for the period		—	—	(1,335)	(1,335)
Effect of the Group Reorganisation		(5,760)	5,760	—	—
<b>Balance at 30 April 2018</b>		<u>—*</u>	<u>5,760</u>	<u>67,873</u>	<u>73,633</u>
<b>Balance at 1 January 2017</b>		5,760	—	41,840	47,600
<b>Changes in equity for the four months ended 30 April 2017</b>					
Profit and other comprehensive income for the period		—	—	3,389	3,389
<b>Balance at 30 April 2017 (Unaudited)</b>		<u>5,760</u>	<u>—</u>	<u>45,229</u>	<u>50,989</u>

\* The balance represents an amount less than HK\$1,000.

*Note (i):* The other reserve represents the deemed contribution from and distributions to the Controlling Shareholders as a result of the Group Reorganisation.

*Note (ii):* The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated (See Note 1(a)).

The accompanying notes form part of this Historical Financial Information.

## 4. Consolidated statements of cash flows

	Note	Year ended 31 December			Four months ended 30 April	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2018 HK\$'000
					(Unaudited)	
		(Note)	(Note)	(Note)	(Note)	
<b>Operating activities</b>						
Cash generated from/(used in) operations	13(b)	16,243	20,522	30,975	6,623	(521)
Hong Kong Profits Tax paid		(233)	–	(12,630)	(4,037)	–
Hong Kong Profits Tax refunded		–	–	138	138	–
<b>Net cash generated from/(used in) operating activities</b>		<u>16,010</u>	<u>20,522</u>	<u>18,483</u>	<u>2,724</u>	<u>(521)</u>
<b>Investing activities</b>						
Payment for acquisitions of plant and equipment		(599)	(2,735)	(21,205)	(1,697)	(2,489)
Proceeds from disposals of plant and equipment		–	–	215	–	500
Advances to a director		(10,840)	(13,290)	(3,530)	(3,050)	(212)
Repayment from a director		720	11,064	32	–	–
<b>Net cash used in investing activities</b>		<u>(10,719)</u>	<u>(4,961)</u>	<u>(24,488)</u>	<u>(4,747)</u>	<u>(2,201)</u>
<b>Financing activities</b>						
Proceeds from short-term loan	13(d)	–	–	18,000	–	–
Proceeds from bank loan	13(d)	–	–	–	–	8,590
Repayment of bank loan	13(d)	–	–	–	–	(2,126)
Capital element of finance leases rentals paid	13(d)	(200)	(228)	(3,600)	(643)	(1,519)
Interest element of finance leases rentals paid	13(d)	(14)	(6)	(358)	(69)	(118)
Dividends paid		(720)	–	–	–	–
Interest paid						
– short-term loan	13(d)	–	–	(344)	–	(180)
– bank loan	13(d)	–	–	–	–	(55)
– bank overdraft		–	–	(1)	(1)	–
<b>Net cash generated from/(used in) financing activities</b>		<u>(934)</u>	<u>(234)</u>	<u>13,697</u>	<u>(713)</u>	<u>4,592</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>4,357</u>	<u>15,327</u>	<u>7,692</u>	<u>(2,736)</u>	<u>1,870</u>

	Note	Year ended 31 December			Four months ended 30 April	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2018 HK\$'000
Cash and cash equivalents at the beginning of the year/period		378	4,735	20,062	20,062	27,754
Cash and cash equivalents at the end of the year/period	13(a)	<u>4,735</u>	<u>20,062</u>	<u>27,754</u>	<u>17,326</u>	<u>29,624</u>

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated (See Note 1(a)).

The accompanying notes form part of this Historical Financial Information.

## 5. Statement of financial position of the Company

As at 30 April 2018

	At 30 April 2018 HK\$'000
<b>Non-current asset</b>	
Investment in a subsidiary	_*
<b>NET ASSET</b>	<u>_*</u>
<b>CAPITAL</b>	
Share capital	_*
<b>TOTAL EQUITY</b>	<u>_*</u>

\* The balance represents an amount less than \$1,000.

The accompanying notes form an integral part of this Historical Financial Information.

## II. NOTES TO HISTORICAL FINANCIAL INFORMATION

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

The Historical Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Further details of the significant accounting policies adopted are set out below.

For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs that are effective for the accounting period beginning on 1 January 2017 to the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2017.

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the four months ended 30 April 2018. Of these, the following developments are relevant to the Group’s financial information for the four months ended 30 April 2018:

HKFRS 9 “Financial Instruments”

HKFRS 15 “Revenue from Contracts with Customers”

#### **HKFRS 9, Financial Instruments**

HKFRS 9 replaces HKAS 39 “Financial Instruments: Recognition and Measurement”. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

There are no material impact of the requirements of HKFRS 9 on the Group’s retained earnings and reserves at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

#### (i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. The carrying amounts for all financial assets at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 1(h)(i), (j) and (k).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) *Credit losses*

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables); and
- contract assets as defined in HKFRS 15 (see note 1(i)(i));

For further details on the Group’s accounting policy for accounting for credit losses, see note 1(h)(i) and (ii), and the carrying amounts for all financial assets at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

***HKFRS 15, Revenue from Contracts with Customers***

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 “*Revenue*”, which covered revenue arising from sale of goods and rendering of services, and HKAS 11 “*Construction Contracts*”, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, historical financial information in respect of the three years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Timing of revenue recognition:

Under HKFRS 15, contract revenue recognised over time continues to be applied based on the progress certificates issued by the customers. This core principle is same as the method in measuring the stage of completion under HKAS 11. As a result, there is no change in the method in measuring the stage of completion under HKAS 11 as compared with output method (see note 1(q)(i)) under HKFRS 15. Details of which are set out in (i) below.

Timing of recognition of contract costs:

Under HKAS 11, contract costs of the Group were recognised by reference to the stage of completion of the contract, which was measured with reference to the percentage of the estimated total revenue for the contracts entered into by the Group that have been performed to date, and the Group’s contract costs of HK\$1,489,000 that related to satisfied performance obligations were the excess of costs incurred up to date over costs calculated based on the stage of completion and were recorded in the “Gross amount due from customers for contract work”. Under HKFRS 15, these

contract costs relating to satisfied performance obligations are expensed as incurred, and the timing of recognition of contract costs would change and it would no longer be possible to defer or accrue costs to report a consistent profit margin percentage over the term of a contract. Details of which are set out in (ii) below.

The following table summarises the impact of transition to HKFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	<i>HK\$'000</i>
<b>Retained earnings</b>	
Change in timing of contract costs recognition for construction contracts	1,489
Related tax	<u>(246)</u>
Net decrease in retained earnings at 1 January 2018	<u><u>(1,243)</u></u>

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Under HKFRS 15, contract revenue recognised over time continues to be applied based on the progress certificates issued by the customers. This core principle is same as the method in measuring the stage of completion under HKAS 11. As a result, there is no change in the method in measuring the stage of completion under HKAS 11 as compared with output method (see note 1(q)(i)) under HKFRS 15.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from construction contracts.

(ii) Timing of recognition of contract costs

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii)

generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

Previously, contract costs of the Group were recognised by reference to the stage of completion of the contract, which was measured with reference to the percentage of the estimated total revenue for the contracts entered into by the Group that have been performed to date, and under HKAS 11, contract costs of HK\$1,489,000 that related to satisfied performance obligations were the excess of costs incurred up to date over costs calculated based on the stage of completion and were recorded in the "Gross amount due from customers for contract work". Under HKFRS 15, these contract costs relating to satisfied performance obligations are expensed as incurred, and the timing of recognition of contract costs would change and it would no longer be possible to defer or accrue costs to report a consistent profit margin percentage over the term of a contract.

As a result of this change in timing of construction costs recognition for construction contracts, the Group made opening adjustments at 1 January 2018, i.e., contract costs of HK\$1,489,000, which have been incurred but deferred to be recognised in profit or loss and previously included in "Gross amount due from customers for contract work" under HKAS 11, were charged to retained earnings, and the related tax effect of HK\$246,000 was included in adjustment to tax payable and retained earnings.

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 1(q)) before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see note 1(i)(i)).

Previously, progress billings not yet paid by the customers relating to construction contracts in progress were presented in the statement of financial position under "Trade and other receivables" and work in progress in respect of the Group's construction contracts was included within "Gross amount due from customers for contract work" and the revenue was recognised for the reasons explained in paragraph (i) above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

- (1) "Gross amount due from customers for contract work" amounting to HK\$68,148,000 (note 14(a)) and "Retention receivables" amounting to HK\$18,880,000, which was previously included in trade and other receivables (note 12) are now included under contract assets (note 14(b)).
  - (2) As explained in (ii) above, adjustments to opening balances have been made to decrease contract assets by HK\$1,489,000 in respect of the Group's construction contracts.
- (iv) Disclosure of the estimated impact on the amounts reported in respect of the four months ended 30 April 2018 as a result of the adoption of HKFRS 15 on 1 January 2018.

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the four months ended 30 April 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	<b>Amounts reported in accordance with HKFRS 15 (A) \$'000</b>	<b>Hypothetical amounts under HKASs 18 and 11 (B) \$'000</b>	<b>Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) \$'000</b>
<b>Line items in the consolidated statement of profit or loss and other comprehensive income for period ended 30 April 2018 impacted by the adoption of HKFRS 15:</b>			
Revenue	74,446	74,446	–
Cost of sales	(66,802)	(65,193)	(1,609)
<b>Gross profit</b>	<b>7,644</b>	<b>9,253</b>	<b>(1,609)</b>
Other income	728	728	–
General and administrative expenses	(8,341)	(8,341)	–
<b>Profit from operations</b>	<b>31</b>	<b>1,640</b>	<b>(1,609)</b>
Finance costs	(353)	(353)	–
<b>Profit/(loss) before taxation</b>	<b>(322)</b>	<b>1,287</b>	<b>(1,609)</b>
Income tax	(1,013)	(1,278)	265
<b>Profit/(loss) and total comprehensive income for the year</b>	<b>(1,335)</b>	<b>9</b>	<b>(1,344)</b>
<b>Line items in the consolidated statement of financial position as at 30 April 2018 impacted by the adoption of HKFRS 15:</b>			
Contract assets	45,479	–	45,479
Gross amount due from customers for contract work	–	32,922	(32,922)
Trade and other receivables	50,387	66,042	(15,655)
<b>Total current assets</b>	<b>125,490</b>	<b>128,588</b>	<b>(3,098)</b>
Trade and other payables	(42,019)	(42,477)	458
Contract liabilities	(458)	–	(458)
Current taxation	(3,554)	(4,065)	511
<b>Total current liabilities</b>	<b>(75,161)</b>	<b>(75,672)</b>	<b>511</b>
<b>Net current assets</b>	<b>50,329</b>	<b>52,916</b>	<b>(2,587)</b>
<b>Total assets less current liabilities</b>	<b>79,854</b>	<b>82,441</b>	<b>(2,587)</b>
Deferred tax liabilities	(2,055)	(2,055)	–
<b>Total non-current liabilities</b>	<b>(6,221)</b>	<b>(6,221)</b>	<b>–</b>
<b>Net assets</b>	<b>73,633</b>	<b>76,220</b>	<b>(2,587)</b>
Reserves	73,633	76,220	(2,587)
<b>Total equity</b>	<b>73,633</b>	<b>76,220</b>	<b>(2,587)</b>
<b>Line items in the reconciliation of profit before taxation to cash generated from operations for period ended 30 April 2018 (note 13(b)) impacted by the adoption of HKFRS 15:</b>			
Profit before taxation	(322)	1,287	(1,609)



	Amounts reported in accordance with HKFRS 15 (A) \$'000	Hypothetical amounts under HKASs 18 and 11 (B) \$'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) \$'000
Decrease in gross amount due from customers for contract work, contract assets, trade and other receivables	61,396	59,787	1,609
Decrease in gross amount due to customers for contract work, contract liabilities, trade and other payables	(65,148)	(65,148)	–

The significant differences arise as a result of the changes in accounting policies described above.

The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2018 are set out in Note 24.

**(b) Basis of preparation and presentation**

Fullwealth Construction Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 19 January 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for a group reorganisation completed on 6 February 2018 (the “**Group Reorganisation**”), as detailed in the section head “History, Reorganisation and Corporate Structure” in the Prospectus. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the civil engineering works in Hong Kong.

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by Ming Shing Construction Engineering Company Limited (“**Ming Shing**”). The Group underwent the Group Reorganisation to rationalise the corporate structure in preparation of the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Upon completion of the Group Reorganisation, the Company became the holding company of the Group. The companies now comprising the Group were under the common control of Mr. LAW Fu Keung as a controlling shareholder before and after the Group Reorganisation. Accordingly, the Historical Financial Information has been prepared using the merger basis of accounting in accordance with the Accounting Guideline 5 “Merger Accounting Under Common Control Combinations” (“**AG5**”) issued by HKICPA as if the Group had always been in existence.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods as set out in this report include the financial performance and cash flows of the Company and its subsidiaries now comprising the Group (or where the Company and its subsidiaries were incorporated at a date later than 1 January 2015, for the period from the date of incorporation to 30 April 2018). The consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 April 2018 as set out in this report have been prepared to present the assets and liabilities of the Company and its subsidiaries as at those dates as if the Group Reorganisation was completed at the beginning of the Relevant Periods.

Intra-group balances and transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Group's effective interest	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
Civil Link Holdings Company Limited ("Civil Link")	The British Virgin Island 30 January 2018	US\$200	100%	100%	–	Investment holding
Ming Shing Construction Engineering Company Limited ("Ming Shing")	Hong Kong 31 January 1997	HK\$5,760,000	100%	–	100%	Construction and engineering works

All companies comprising the Group have adopted 31 December as their financial year end date.

As at the date of this report, no audited financial statements have been prepared for the Company and Civil Link as they either have not carried on any business since the date of incorporation or is investment holding company and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of Ming Shing for which there is statutory requirements were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the HKICPA. The following list contains details of Ming Shing in the Historical Financial Information that is subject to statutory audit during the Relevant Periods and the name of the auditor.

Name of company	Financial period	Statutory auditors
Ming Shing	For the years ended 31 December 2015, 2016 and 2017	Crowe (HK) CPA Limited

**(c) Basis of measurement**

The Historical Financial Information is presented in Hong Kong Dollars, rounded to the nearest thousand. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

**(d) Use of estimates and judgements**

The preparation of Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 2.

**(e) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(h)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

**(f) Plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(h)).

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. The principal annual rates used for the depreciation of plant and equipment are as follows:

- Leasehold improvements	20%
- Plant and machinery	20%
- Furniture and equipment	20%
- Motor vehicles	30%

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) **Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 1(f). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 1(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) **Impairment of assets**

(i) *Credit losses from financial instruments and contract assets*

(A) *Policy applicable from 1 January 2018*

The Group recognises a loss allowance for expected credit losses (“ECLs”) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables); and
- contract assets as defined in HKFRS 15 (see note 1(i)(i)).

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

#### *Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Basis of calculation of interest income*

Interest income recognised in accordance with note 1(q)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

*(B) Policy applicable prior to 1 January 2018*

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

*(ii) Impairment of other non-current assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- Plant and equipment; and
- Investments in subsidiaries in the Company's statement of financial position

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis except that the carrying value of an asset will not be reduced below its individual fair value less costs to disposal (if measurable), or value in use, (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

**(i) Construction contracts**

**(i) *Contract assets and contract liabilities***

A contract asset is recognised when the Group recognises revenue (see note 1(q)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(j)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(q)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(j)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(q)).

*Policy prior to 1 January 2018*

In the comparative period, contract balances were recorded for construction contracts at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. These net balances were presented as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable, on a contract-by-contract basis. Progress billings not yet paid by the customer were included under "Trade



receivables". Amounts received before the related work was performed were presented as "Advance received" under "Trade and other payables". These balances have been reclassified on 1 January 2018 as shown in notes 14(b) and (c) (see note 1(a)).

**(ii) Contract costs**

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment (see note 1(f)) or intangible assets.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(q).

**(j) Trade and other receivables**

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(i)(i)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(h)(i)).

**(k) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(h)(i).

**(l) Trade and other payables**

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(m) Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(r)).

**(n) Employee benefits**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**(o) Income tax**

Income tax for the reporting period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous reporting periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(p) Provisions and contingent liabilities**

*(i) Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

*(ii) Onerous contracts*

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

**(q) Revenue and other income**

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the

effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) *Construction contracts*

(A) *Policy applicable from 1 January 2018*

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method, i.e. based on direct measurements of the value to the customer of goods or services transferred to date ("**Value to the Customer**"), provided that the Value to the Customer is established according to the progress certificate (by reference to the amount of completed works confirmed by customer) issued by the customer.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 1(p)(ii).

(B) *Policy applicable prior to 1 January 2018*

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress certificate (by reference to the amount of completed works confirmed by customers) issued by the customers.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(iii) *Management fee income*

Management fee income is recognised when the services are rendered.

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(h)(i)).

(r) **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) **Related parties**

(1) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(2) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(t) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's chief operating decision maker (the "CODM") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**2. ACCOUNTING JUDGEMENTS AND ESTIMATES**

**(a) Critical accounting judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

**(i) Income tax**

The Group is subject to Hong Kong Profits Tax. Judgement is required in determining the provision for income tax. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain. Where the final outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Recognition of deferred tax depends on the management's expectation of future taxable profit that will be available. The outcome of their actual utilization may be different.

**(b) Sources of estimation uncertainty**

**(i) Construction contracts**

As explained in policy note 1(q)(i), revenue from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on the progress certificates issued by the customers, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in note 14(b) do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

In the comparative period, revenue from construction contracts was subject to such estimation uncertainty. In addition, the contract assets arising from construction contracts were included in gross amount due from customers for contract work and were disclosed in note 14(a), rather than note 14(b).

**3. REVENUE AND SEGMENT INFORMATION**

**(a) Revenue**

Revenue represents the amounts received and receivable from construction contracts for civil engineering and building works rendered by the Group to customers, which is recognised over time.

Revenue from construction contracts with customers by geographic markets is disclosed in notes 3(b)(ii).

As at 30 April 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$173,494,000. This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 to 24 months.

The above amount does not include any estimated amounts of variable consideration that are constrained.

**(b) Segment information**

*(i) Operating segment information*

The CODM has been identified as the executive directors who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the business of civil engineering and building works in Hong Kong. Information reported to CODM for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

*(ii) Geographical information*

All of the Group's activities are carried out in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis is presented.

*(iii) Information about major customers*

Revenue from customers during the Relevant Periods contributing individually over 10% of the Group's revenue is as follows:

	Year ended 31 December			Four months ended	
	2015	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				30 April	
				(Unaudited)	
Customer A	137,139	150,814	181,270	47,214	N/A*
Customer B	57,212	N/A*	N/A*	N/A*	N/A*
Customer C	N/A*	41,174	N/A*	N/A*	N/A*
Customer D	N/A*	107,187	N/A*	N/A*	8,904
Customer E	N/A*	N/A*	64,543	19,514	17,699
Customer F	N/A*	N/A*	52,623	N/A*	22,770
Customer G	N/A*	N/A*	53,146	N/A*	N/A*
Customer H	N/A*	N/A*	N/A*	N/A*	11,491

\* Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year/period.

Details of concentrations of credit risk arising from these customers are set out in Note 20(a).

## 4. OTHER INCOME

	Year ended 31 December			Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Management fee income	120	400	400	200	–
Profit from leasing of plant and equipment (see note (i))	–	111	3,860	263	532
Compensation from a customer (see note (ii))	–	2,796	–	–	–
Gain on disposal of plant and equipment	–	–	–	–	196
Sundry income	11	126	28	27	–
	<u>131</u>	<u>3,433</u>	<u>4,288</u>	<u>490</u>	<u>728</u>

## Notes:

- (i) Profit from leasing of plant and equipment for the Relevant Periods is analysed as follows:

	Year ended 31 December			Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Gross rental income from leasing of plant and equipment	–	111	9,530	1,389	3,296
Direct outgoings	–	–	(5,670)	(1,126)	(2,764)
Profit from leasing of plant and equipment	<u>–</u>	<u>111</u>	<u>3,860</u>	<u>263</u>	<u>532</u>

- (ii) In early of 2016, the Company started to negotiate with a customer on the compensation related to a construction project early terminated in December 2015. In September 2016, the customer agreed to compensate the Company for certain subcontracting costs incurred in prior year amounting to HK\$2,796,000.



## 5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

## (a) Finance costs

	Year ended 31 December			Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2018 HK\$'000
				<i>(Unaudited)</i>	
Finance charges on obligations under finance leases	14	6	358	69	118
Interest on short-term loan	–	–	344	–	180
Interest on bank loan	–	–	–	–	55
Interest on bank overdraft	–	–	1	1	–
	<u>14</u>	<u>6</u>	<u>703</u>	<u>70</u>	<u>353</u>

## (b) Staff costs (including directors' remuneration)

	Year ended 31 December			Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2018 HK\$'000
				<i>(Unaudited)</i>	
Contribution to defined contribution retirement plan	80	535	1,053	219	460
Salaries, wages and other benefits	<u>2,548</u>	<u>14,227</u>	<u>27,863</u>	<u>5,665</u>	<u>12,458</u>
	<u>2,628</u>	<u>14,762</u>	<u>28,916</u>	<u>5,884</u>	<u>12,918</u>

## (c) Other items

	Year ended 31 December			Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2018 HK\$'000
				<i>(Unaudited)</i>	
Depreciation of plant and equipment	279	372	7,285	1,167	3,396
Loss/(gain) on disposal of plant and equipment	–	–	29	–	(196)
Operating lease charges:					
– hire of machinery	755	3,119	2,533	46	643
– property rentals	300	300	300	100	100
Auditors' remuneration					
– audit services	300	400	400	100	–
Listing expenses	–	–	3,469	–	6,646
	<u>–</u>	<u>–</u>	<u>3,469</u>	<u>–</u>	<u>6,646</u>

6. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

- (a) Income tax in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Four months ended	
	2015	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Current tax – Hong Kong Profit Tax</b>					
Provision for the year/period	2,400	5,176	7,652	623	1,345
Under-provision in respect of prior years	–	6	–	–	–
	2,400	5,182	7,652	623	1,345
<b>Deferred tax</b>					
Origination and reversal of temporary differences	–	418	1,969	47	(332)
	<u>2,400</u>	<u>5,600</u>	<u>9,621</u>	<u>670</u>	<u>1,013</u>

*Notes:*

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising from Hong Kong for the Relevant Periods.

## (b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Four months ended	
	2015	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Profit/(loss) before taxation	<u>16,611</u>	<u>34,067</u>	<u>55,232</u>	<u>4,059</u>	<u>(322)</u>
Notional tax on profit before taxation, calculated at the rate of 16.5%	2,741	5,621	9,113	670	(53)
Tax effect of non-deductible expenses	–	–	578	–	1,149
Tax effect of non-taxable income	–	–	–	–	(32)
Utilisation of previously unrecognised tax losses	(260)	–	–	–	–
Statutory tax concession	(20)	(20)	(30)	–	–
Under-provision in respect of prior years	–	6	–	–	–
Others	<u>(61)</u>	<u>(7)</u>	<u>(40)</u>	<u>–</u>	<u>(51)</u>
Actual income tax expense	<u>2,400</u>	<u>5,600</u>	<u>9,621</u>	<u>670</u>	<u>1,013</u>

## 7. DIRECTORS' EMOLUMENTS

Directors' emoluments during the Relevant Periods which were included in the staff costs as disclosed in Note 5(b) are as follows:

	Year ended 31 December 2015			Total
	Directors' fee	Salaries, allowances and benefits in kind	Contributions to defined contribution retirement plan	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors</b>				
LAW Fu Keung (Chief executive)	–	–	–	–
CHENG Fung Yi	–	250	13	263
Total	<u>–</u>	<u>250</u>	<u>13</u>	<u>263</u>

	Year ended 31 December 2016			Total HK\$'000
	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Contributions to defined contribution retirement plan HK\$'000	
<b>Executive directors</b>				
LAW Fu Keung (Chief executive)	–	–	–	–
CHENG Fung Yi	–	338	15	353
Total	–	338	15	353
	Year ended 31 December 2017			Total HK\$'000
	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Contributions to defined contribution retirement plan HK\$'000	
<b>Executive directors</b>				
LAW Fu Keung (Chief executive)	–	–	–	–
CHENG Fung Yi	–	387	17	404
Total	–	387	17	404
	Four months ended 30 April 2018			Total HK\$'000
	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Contributions to defined contribution retirement plan HK\$'000	
<b>Executive directors</b>				
LAW Fu Keung (Chief executive)	–	180	5	185
CHENG Fung Yi	–	160	6	166
Total	–	340	11	351

	Four months ended 30 April 2017 (Unaudited)			
	Directors' fee <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Contributions to defined contribution retirement plan <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive directors</b>				
LAW Fu Keung (Chief executive)	–	–	–	–
CHENG Fung Yi	–	107	6	113
<b>Total</b>	<u>–</u>	<u>107</u>	<u>6</u>	<u>113</u>

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods.

#### 8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 1, 0, 0, 0 (unaudited) and 1 are directors for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, respectively, whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining highest paid individuals of the Group are as follows:

	Year ended 31 December			Four months ended 30 April	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Salaries and other emoluments	1,117	2,968	3,686	1,154	1,125
Retirement scheme contributions	39	77	88	30	24
	<u>1,156</u>	<u>3,045</u>	<u>3,774</u>	<u>1,184</u>	<u>1,149</u>

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended 31 December			Four months ended 30 April	
	2015 <i>Number of individuals</i>	2016 <i>Number of individuals</i>	2017 <i>Number of individuals</i>	2017 <i>Number of individuals</i>	2018 <i>Number of individuals</i>
HK\$Nil to HK\$1,000,000	4	5	4	5	4
HK\$1,000,001 to HK\$1,500,000	–	–	1	–	–

#### 9. DIVIDENDS

During the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, dividends of HK\$720,000, HK\$Nil, HK\$17,000,000, HK\$Nil (unaudited) and HK\$Nil were declared by Ming Shing to its then equity shareholder.

No dividends have been declared and paid by the Company since the date of its incorporation.

## 10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this Historical Financial Information is not considered meaningful due to the Group Reorganisation and the preparation of the results of the Group for the Relevant Periods on a combined basis as disclosed in Note 1(b).

## 11. PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost:</b>					
At 1 January 2015	–	–	–	–	–
Additions	281	–	59	705	1,045
At 31 December 2015 and 1 January 2016	281	–	59	705	1,045
Additions	–	7,750	10	128	7,888
At 31 December 2016 and 1 January 2017	281	7,750	69	833	8,933
Additions	–	10,498	15	19,470	29,983
Disposals	–	–	–	(250)	(250)
At 31 December 2017 and 1 January 2018	281	18,248	84	20,053	38,666
Additions	–	2,218	–	271	2,489
Disposals	–	(300)	–	(121)	(421)
At 30 April 2018	281	20,166	84	20,203	40,734
<b>Accumulated depreciation:</b>					
At 1 January 2015	–	–	–	–	–
Charge for the year	56	–	12	211	279
At 31 December 2015 and 1 January 2016	56	–	12	211	279
Charge for the year	45	129	12	186	372
At 31 December 2016 and 1 January 2017	101	129	24	397	651
Charge for the year	56	3,037	15	4,177	7,285
Written back on disposals	–	–	–	(6)	(6)
At 31 December 2017 and 1 January 2018	157	3,166	39	4,568	7,930
Charge for the period	18	1,365	6	2,007	3,396
Written back on disposals	–	(11)	–	(106)	(117)
At 30 April 2018	175	4,520	45	6,469	11,209
<b>Carrying amount:</b>					
At 31 December 2015	225	–	47	494	766
At 31 December 2016	180	7,621	45	436	8,282
At 31 December 2017	124	15,082	45	15,485	30,736
At 30 April 2018	106	15,646	39	13,734	29,525

*(b) Assets held under finance leases*

The Group leases plant and equipment under finance leases expiring from 1 to 3 years. At the end of the lease term the Group has the option to purchase the leased plant and equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

During the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, additions to plant and equipment by new finance leases were HK\$447,000, HK\$Nil, HK\$9,832,000 and HK\$Nil respectively. At 31 December 2015, 2016 and 2017 and 30 April 2018, the carrying amount of plant and equipment held under finance leases were approximately HK\$347,000, HK\$243,000, HK\$14,022,000 and HK\$12,502,000 respectively.

**12. TRADE AND OTHER RECEIVABLES**

	As at 31 December			As at	As at
	2015	2016	2017	1 January	30 April
	HK\$'000	HK\$'000	HK\$'000	2018	2018
				HK\$'000	HK\$'000
Trade receivables	18,798	20,059	65,784	65,784	43,236
Retention receivables	7,176	12,408	18,880	–	–
Amount due from a director	11,064	13,290	–	–	–
Other receivables	1,000	111	4,123	4,123	3,898
	<u>38,038</u>	<u>45,868</u>	<u>88,787</u>	<u>69,907</u>	<u>47,134</u>
Deposits and prepayments	747	245	1,816	1,816	3,253
	<u>38,785</u>	<u>46,113</u>	<u>90,603</u>	<u>71,723</u>	<u>50,387</u>

At 31 December 2015, 2016 and 2017, the amounts of retention receivables expected to be recovered after more than one year are HK\$2,179,000, HK\$7,165,000 and HK\$6,003,000 respectively. All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

**(a) Ageing analysis**

As of each of the end of the reporting period, the ageing analysis of trade receivables, based on the revenue recognition date and net of allowance for doubtful debts, is as follows:

	As at 31 December			As at
	2015	2016	2017	30 April
	HK\$'000	HK\$'000	HK\$'000	2018
				HK\$'000
Within 1 month	13,738	15,093	50,837	7,349
1 to 2 months	5,060	4,966	10,193	5,526
2 to 3 months	–	–	200	22,246
Over 3 months	–	–	4,554	8,115
	<u>18,798</u>	<u>20,059</u>	<u>65,784</u>	<u>43,236</u>

Trade receivables are generally due within 30 days from the date of progress certificate. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 20(a).

## 13. CASH AND CASH EQUIVALENTS

- (a) Cash and cash equivalents in the consolidated statements of financial position and cash flows comprise:

	As at 31 December			As at
	2015	2016	2017	30 April
	HK\$'000	HK\$'000	HK\$'000	2018 HK\$'000
Cash at banks	4,735	20,062	27,754	29,624

- (b) Reconciliation of profit before taxation to cash generated from/(used in) operations:

	Year ended 31 December			Four months ended	
	2015	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
	(Note)	(Note)	(Note)	(Note)	
Profit/(loss) before taxation	16,611	34,067	55,232	4,059	(322)
Adjustments for:					
Depreciation	279	372	7,285	1,167	3,396
Finance costs	14	6	703	70	353
Loss/(Gain) on disposal of plant and equipment	–	–	29	–	(196)
Changes in working capital:					
Decrease/(increase) in gross amount due from customers for contract work, contract assets, trade and other receivables	(75,840)	5,719	(83,766)	(27,270)	61,396
Increase/(decrease) in gross amount due to customers for contract work, contract liabilities, trade and other payables	75,179	(19,642)	51,492	28,597	(65,148)
<b>Cash generated from/(used in) operations</b>	<b>16,243</b>	<b>20,522</b>	<b>30,975</b>	<b>6,623</b>	<b>(521)</b>

*Note:* The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 1(a).

- (c) Major non-cash items

## (i) Dividends

During the year ended 31 December 2017, an interim dividend of HK\$17,000,000 was declared by Ming Shing to its then equity shareholder and was set off against "Amount due from a director".

## (ii) Additions to plant and equipment by new finance leases

During the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, additions to plant and equipment by new finance leases were HK\$447,000, HK\$Nil, HK\$9,832,000 and HK\$Nil, respectively.



## (d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Amount due to a director HK\$'000	Borrowings HK\$'000	Finance leases HK\$'000	Total HK\$'000
<b>At 1 January 2015</b>	-----	-----	-----	-----
<b>Changes from financing cash flows:</b>				
Capital element of finance lease rentals paid	-	-	(200)	(200)
Interest element of finance lease rentals paid	-----	-----	-----	-----
	-	-	(14)	(14)
Total changes from financing cash flows	-----	-----	-----	-----
	-	-	(214)	(214)
<b>Other changes</b>				
New finance leases	-	-	447	447
Finance charges on obligations under finance leases (Note 5(a))	-----	-----	-----	-----
	-	-	14	14
Total other changes	-----	-----	-----	-----
	-	-	461	461
<b>At 31 December 2015</b>	-----	-----	-----	-----
	-	-	247	247
	-----	-----	-----	-----
	-	-	247	247
<b>At 1 January 2016</b>	-----	-----	-----	-----
	-	-	247	247
<b>Changes from financing cash flows:</b>				
Capital element of finance lease rentals paid	-	-	(228)	(228)
Interest element of finance lease rentals paid	-----	-----	-----	-----
	-	-	(6)	(6)
Total changes from financing cash flows	-----	-----	-----	-----
	-	-	(234)	(234)
<b>Other changes</b>				
Finance charges on obligations under finance leases (Note 5(a))	-----	-----	-----	-----
	-	-	6	6
Total other changes	-----	-----	-----	-----
	-	-	6	6
<b>At 31 December 2016</b>	-----	-----	-----	-----
	-	-	19	19

	Amount due to a director <i>HK\$'000</i>	Borrowings <i>HK\$'000</i>	Finance leases <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 January 2017</b>	-----	-----	-----19	-----19
<b>Changes from financing cash flows:</b>				
Proceeds from new short-term loan	-	18,000	-	18,000
Interest paid	-	(344)	-	(344)
Capital element of finance lease rentals paid	-	-	(3,600)	(3,600)
Interest element of finance lease rentals paid	-	-	(358)	(358)
	-----	-----	-----	-----
Total changes from financing cash flows	-----	17,656	(3,958)	13,698
<b>Other changes:</b>				
Interest on short-term loan ( <i>Note 5(a)</i> )	-	344	-	344
New finance leases	-	-	13,932	13,932
Finance charges on obligations under finance leases ( <i>Note 5(a)</i> )	-	-	358	358
Credit balance arising from set-off of dividend against amount due from a director ( <i>see Note 13(c)(i)</i> )	212	-	-	212
	-----	-----	-----	-----
Total other changes	212	344	14,290	14,846
<b>At 31 December 2017</b>	<u>212</u>	<u>18,000</u>	<u>10,351</u>	<u>28,563</u>
	Amount due to a director <i>HK\$'000</i>	Borrowings <i>HK\$'000</i>	Finance leases <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 January 2018</b>	-----212	-----18,000	-----10,351	-----28,563
<b>Changes from financing cash flows:</b>				
Proceeds from new bank loan	-	8,590	-	8,590
Repayment of bank loan	-	(2,126)	-	(2,126)
Interest paid	-	(235)	-	(235)
Capital element of finance lease rentals paid	-	-	(1,519)	(1,519)
Interest element of finance lease rentals paid	-	-	(118)	(118)
	-----	-----	-----	-----
Total changes from financing cash flows	-----	6,229	(1,637)	4,592
<b>Other changes:</b>				
Interest on short-term loan ( <i>Note 5(a)</i> )	-	180	-	180
Interest on bank loan ( <i>Note 5(a)</i> )	-	55	-	55
Finance charges on obligations under finance leases ( <i>Note 5(a)</i> )	-	-	118	118
Repayment to director	(212)	-	-	(212)
	-----	-----	-----	-----
Total other changes	(212)	235	118	141
<b>At 30 April 2018</b>	<u>-</u>	<u>24,464</u>	<u>8,832</u>	<u>33,296</u>

	Amount due to a director <i>HK\$'000</i>	Borrowings <i>HK\$'000</i>	Finance leases <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 January 2017</b>	-----	-----	-----19	-----19
<b>Changes from financing cash flows (unaudited):</b>				
Capital element of finance lease rentals paid	-	-	(643)	(643)
Interest element of finance lease rentals paid	-----	-----	----- (69)	----- (69)
Total changes from financing cash flows	-----	-----	----- (712)	----- (712)
<b>Other changes (unaudited):</b>				
New finance leases	-	-	13,662	13,662
Finance charges on obligations under finance leases ( <i>Note 5(a)</i> )	-----	-----	----- 69	----- 69
Total other changes	-----	-----	----- 13,731	----- 13,731
<b>At 30 April 2017 (unaudited)</b>	-----	-----	----- 13,038	----- 13,038

#### 14. CONSTRUCTION CONTRACTS

##### (a) Gross amount due from/to customers for contract work

	As at 31 December		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Gross amount due from customers for contract work</b>			
Contract costs incurred plus recognised profits less recognised losses	243,858	360,293	381,478
Less: Progress billings received and receivables	(190,875)	(318,130)	(313,330)
	<u>52,983</u>	<u>42,163</u>	<u>68,148</u>
<b>Gross amount due to customers for contract work</b>			
Progress billings received and receivables	1,928	-	-
Less: Contract costs incurred plus recognised profits less recognised losses	(928)	-	-
	<u>1,000</u>	<u>-</u>	<u>-</u>

At 31 December 2015, 2016 and 2017, the gross amount due from customers for contract work represented the unbilled contract revenue of uncompleted projects. All gross amount due from/to customers for contract work are expected to be recovered/settled within one year.

**(b) Contract assets**

	As at 31 December 2017 <i>HK\$'000</i> <i>(Note (i))</i>	As at 1 January 2018 <i>HK\$'000</i> <i>(Note (i))</i>	As at 30 April 2018 <i>HK\$'000</i>
<b>Contract assets</b>			
Arising from performance under construction contracts	–	85,539	45,479
<b>Receivables from contracts with customers within the scope of HKFRS 15, which are included in “Trade and other receivables” (note 12)</b>		65,784	43,236

*Notes:*

- (i) The Group has initially applied HKFRS 9 and HKFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 January 2018.
- (ii) Upon the adoption of HKFRS 15, retention receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones or satisfactory completion of the retention period, were reclassified from “Retention receivables” under “Trade and other receivables” to “Contract assets” (see note 1(a)).
- (iii) Upon the adoption of HKFRS 15, amounts previously included as “Gross amount due from customers for contract work” (note 14(a)) were reclassified to “Contract assets” (see note 1(a)).
- (iv) Upon the adoption of HKFRS 15, opening adjustments were made as at 1 January 2018 to recognise contract costs arising from certain construction contracts. This has resulted in an increase in direct costs and a decrease in work in progress as at that date (see note 1(a)).

Typical payment terms with impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require stage payments over the construction period once the progress certificates issued by customers. The Group also typically agrees to an one year retention period for 1-10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

At 30 April 2018, the amount of contract assets that is expected to be recovered after more than one year is HK\$7,108,000, all of which relates to retentions.

**(c) Contract liabilities**

	As at 31 December 2017 <i>HK\$'000</i> <i>(see note below)</i>	As at 1 January 2018 <i>HK\$'000</i> <i>(see note below)</i>	As at 30 April 2018 <i>HK\$'000</i>
<b>Contract liabilities</b>			
Construction contracts			
– Billings in advance of performance	–	–	458

*Note:* The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit before the construction activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The amount of the deposits was negotiated on a case by case basis with customers.

<b>Movements in contract liabilities</b>	<b>Four months period ended 30 April 2018 HK\$'000</b>
Balance at the beginning of the period	–
Increase in contract liabilities as a result of billing in advance of construction activities	458
Balance at the end of the period	<u>458</u>

#### 15. TRADE AND OTHER PAYABLES

	<b>As at 31 December</b>			<b>As at 30 April 2018</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (see Note 15(a))	58,394	47,004	84,666	22,195
Amount due to a director	–	–	212	–
Payable for acquisition of plant and equipment	–	5,600	–	–
Accrued subcontracting fee	–	–	11,170	8,872
Other accrued charges	1,141	969	1,076	527
Retention payables	6,213	8,161	10,713	10,425
Advance received	9,028	–	–	–
	<u>74,776</u>	<u>61,734</u>	<u>107,837</u>	<u>42,019</u>

At 31 December 2015, 2016 and 2017 and 30 April 2018, the amounts of retention payables expected to be settled after more than one year are HK\$1,130,000, HK\$6,768,000, HK\$5,135,000 and HK\$5,336,000 respectively. All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

## (a) Ageing analysis

As of the end of each reporting period, the ageing analysis of trade payables, based on invoice date, is as follows:

	As at 31 December			As at
	2015	2016	2017	30 April
	HK\$'000	HK\$'000	HK\$'000	2018
Within 1 month	37,989	41,980	41,732	15,523
1 to 2 months	8,330	2,105	15,756	2,068
2 to 3 months	471	2,919	8,408	3,701
Over 3 months	11,604	–	18,770	903
	<u>58,394</u>	<u>47,004</u>	<u>84,666</u>	<u>22,195</u>

## 16. BORROWINGS

	As at 31 December			As at
	2015	2016	2017	30 April
	HK\$'000	HK\$'000	HK\$'000	2018
Bank loan, secured	–	–	–	6,464
Short-term loan	–	–	18,000	18,000
	<u>–</u>	<u>–</u>	<u>18,000</u>	<u>24,464</u>

The bank loan is secured by a personal guarantee provided by Mr. LAW Fu Keung, a director and controlling shareholder of the Company, carries at HIBOR+2% per annum and will be settled in full on 19 January 2019. At 30 April 2018, the bank loan of HK\$6,464,000 was repayable within one year and classified as current liabilities. In addition, the corresponding loan agreement includes a clause that the bank has an unconditional right to call the loan at any time notwithstanding any other terms and maturity as set out in the loan agreement.

The short-term loan from an independent financial institution is secured by a personal guarantee provided by Mr. LAW Fu Keung, a director and controlling shareholder of the Company, and carries a fixed rate of 3% per annum. The loan will be matured within one year.

## 17. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2015, 2016 and 2017 and 30 April 2018, the Group had obligations under finance leases as follows:

	2015		At 31 December 2016		2017		At 30 April 2018	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	208	214	19	19	4,610	4,906	4,666	4,906
After 1 year but within 2 years	39	39	-	-	4,780	4,906	4,142	4,213
After 2 years but within 5 years	-	-	-	-	961	967	24	24
	39	39	-	-	5,741	5,873	4,166	4,237
	<u>247</u>	253	<u>19</u>	19	<u>10,351</u>	10,779	<u>8,832</u>	9,143
Less: Total future interest expenses		(6)		-		(428)		(311)
Present value of lease obligations		<u>247</u>		<u>19</u>		<u>10,351</u>		<u>8,832</u>

All of the Group's finance lease liabilities were denominated in Hong Kong dollars and the effective interest rates of these finance lease liabilities for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 were approximately 4.3%, 4.3%, ranged from 3.1% to 3.8% and ranged from 3.1% to 3.8% per annum, respectively. The obligations under finance leases were secured by the charge over the Group's machineries and construction equipment and motor vehicles and guaranteed by the personal guarantee provided by Mr. LAW Fu Keung, a director and controlling shareholder of the Company, and Ms. CHENG Fung Yi, the spouse of Mr. LAW Fu Keung and director of the Company.

## 18. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

## (a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			As at
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	30 April 2018 HK\$'000
Provision for Hong Kong Profits Tax for the year/period	2,400	5,176	7,652	1,345
Provisional Hong Kong Profits Tax paid	(159)	-	(5,197)	-
	2,241	5,176	2,455	1,345
Balance of Hong Kong Profits Tax provision relating to prior years	(128)	2,119	-	2,209
	<u>2,113</u>	<u>7,295</u>	<u>2,455</u>	<u>3,554</u>

**(b) Deferred tax assets and liabilities***(i) Movement of deferred tax liabilities*

The component of deferred tax liabilities recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	As at 31 December			As at
	2015	2016	2017	30 April
	HK\$'000	HK\$'000	HK\$'000	2018 HK\$'000
Deferred tax arising from depreciation allowances in excess of the related depreciation:				
At the beginning of the year/period	–	–	418	2,387
Charged to profit or loss	–	418	1,969	(332)
At the end of the year/period	–	418	2,387	2,055

*(ii) Deferred tax assets*

At the end of each reporting period, the Group has no significant deferred tax assets.

**19. CAPITAL, RESERVES AND DIVIDENDS****(a) Movement in components of equity**

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

**(b) Share capital**

	Par value HK\$	As at 30 April 2018	
		No. of shares	Amount HK\$'000
<b>Authorised ordinary shares (note (i))</b>	0.01	38,000,000	380
<b>Issued and fully paid ordinary shares</b>			
Issuance of new shares upon the incorporation (note (i))	0.01	1	–*
Issuance of new shares under the Group Reorganisation (note (ii))	0.01	99	–*
		100	–*

\* The balance represents an amount less than HK\$1,000.

For the purpose of this report, share capital as at 31 December 2015, 2016 and 2017 represented the share capital of the subsidiary of the Company which existed at the respective dates.

*Note (i)* The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 January 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01



each. On 19 January 2018, one fully-paid ordinary share was allotted and issued to the initial subscriber of the Company, which was subsequently transferred to Miracle Investments Company Limited (“**Miracle Investments**”) on 6 February 2018.

*Note (ii)* On 6 February 2018, the Company allotted and issued 99 ordinary shares, credited as fully-paid, to Miracle Investments in consideration for the acquisition of the entire issued share capital in Civil Link from Miracle Investments. Immediately following the above allotment and share transfer, Civil Link is a wholly-owned subsidiary of the Company.

**(c) Capital management**

The Group’s primary objective when managing capital is to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders’ returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a debt-to-capital ratio. For this purpose, debt is defined as total debt (which includes interest-bearing loans and borrowings, amount due to a director and obligations under finance lease). Capital comprises all components of equity. In order to maintain the debt-to-capital ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or reduce debt.

The Group’s debt-to-capital ratio at the end of each reporting period was as follows:

	At 31 December			As at
	2015	2016	2017	30 April
	HK\$'000	HK\$'000	HK\$'000	2018
				HK\$'000
Obligations under finance leases	247	19	10,351	8,832
Borrowings	–	–	18,000	24,464
Amount due to a director	–	–	212	–
<b>Total debt</b>	<b>247</b>	<b>19</b>	<b>28,563</b>	<b>33,296</b>
<b>Capital</b>	<b>19,133</b>	<b>47,600</b>	<b>76,211</b>	<b>73,633</b>
<b>Debt-to-capital ratio</b>	<b>1%</b>	<b>–</b>	<b>37%</b>	<b>45%</b>

The Government of the Hong Kong Special Administrative Region (the “**Government**”) requires contractors on the list of approved contractors for public works (the “**List**”) to maintain such minimum working capital as the Government may from time to time determine (the “**Required Minimum Working Capital**”). A subsidiary of the Company is subject to the Required Minimum Working Capital as the subsidiary is a contractor on the List. Except for this, neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

**20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES**

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group’s business. The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

**(a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, gross amount due from customers for contract work and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with their high credit ratings, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

*Trade receivables, gross amount due from customers for contract work and contract assets*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2015, 2016 and 2017 and 30 April 2018, 60%, 63%, 45% and 18% of the total trade receivables, retention receivables, gross amount due from customers for contract work and contract assets were due from the Group's largest customer respectively and 100%, 97%, 90% and 90% of the total trade receivables, retention receivables, gross amount due from customers for contract work and contract assets were due from the Group's five largest customers respectively.

Individual credit evaluations are performed as part of the acceptance procedures for new construction contracts. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings and retention receivables in accordance with contracted terms. Trade receivables are due within 30 days upon receipt of progress certificates issued by the Group's customers. Retention terms of one year from the completion of the relevant construction contracts may be granted to customers for retention receivables. Normally, the Group does not obtain collateral from customers.

At 30 April 2018, the Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

At 1 January 2018 and 30 April 2018, none of the Group's trade receivables and contract assets were considered to be impaired. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 30 April 2018:

	<b>Expected loss rate</b>	<b>As at 30 April 2018 HK\$'000</b>
Current (not past due)	0%	58,354
1-30 days past due	0%	22,246
31-60 days past due	0%	7,646
More than 60 days past due	0%	<u>469</u>
		<u><u>88,715</u></u>

Expected loss rates based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

*Comparative information under HKAS 39*

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(h)(i) – policy applicable prior to 1 January 2018). At 31 December 2015, 2016 and 2017, none of the Group's trade receivables were considered to be impaired. The ageing analysis of trade receivables that were not considered to be impaired was as follows:

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Neither past due nor impaired	13,738	15,093	50,837
1-30 days past due	5,060	4,966	10,193
31-60 days past due	–	–	200
More than 60 days past due	–	–	4,554
	18,798	20,059	65,784
	18,798	20,059	65,784

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**(b) Liquidity risk**

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the shorter and longer term.

The following tables show the remaining contractual maturities at the end of each of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of each of the reporting period) and the earliest date the Group can be required to repay.

Specifically, for bank loan as at 30 April 2018 which contains a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lender was to invoke its unconditional rights to call the loan with immediate effect.

	At 31 December 2015			Carrying amount at 31/12/2015 HK\$'000
	Contractual undiscounted cash outflow			
	Within 1 year or on demand HK\$'000	1 year but less than 5 years HK\$'000	Total HK\$'000	
Obligations under finance leases	214	39	253	247
Trade and other payables	65,748	–	65,748	65,748
Total	65,962	39	66,001	65,995

<b>At 31 December 2016</b>				
<b>Contractual undiscounted cash outflow</b>				
	<b>Within 1 year or on demand</b>	<b>1 year but less than 5 years</b>	<b>Total</b>	<b>Carrying amount at 31/12/2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Obligations under finance leases	19	–	19	19
Trade and other payables	61,734	–	61,734	61,734
<b>Total</b>	<b>61,753</b>	<b>–</b>	<b>61,753</b>	<b>61,753</b>

<b>At 31 December 2017</b>				
<b>Contractual undiscounted cash outflow</b>				
	<b>Within 1 year or on demand</b>	<b>1 year but less than 5 years</b>	<b>Total</b>	<b>Carrying amount at 31/12/2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Obligations under finance leases	4,906	5,873	10,779	10,351
Trade and other payables	107,837	–	107,837	107,837
Short-term loan	18,180	–	18,180	18,000
<b>Total</b>	<b>130,923</b>	<b>5,873</b>	<b>136,796</b>	<b>136,188</b>

<b>At 30 April 2018</b>				
<b>Contractual undiscounted cash outflow</b>				
	<b>Within 1 year or on demand</b>	<b>1 year but less than 5 years</b>	<b>Total</b>	<b>Carrying amount at 30/4/2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Obligations under finance leases	4,906	4,237	9,143	8,832
Trade and other payables	42,019	–	42,019	42,019
Bank loan	6,464	–	6,464	6,464
Short-term loan	18,270	–	18,270	18,000
<b>Total</b>	<b>71,659</b>	<b>4,237</b>	<b>75,896</b>	<b>75,315</b>

The table that follows summarises the maturity analysis of bank loan with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreement. The amount includes interest payments computed using contractual rate. As a result, this amount was greater than the amount disclosed in the “Within 1 year or on demand” time band in the maturity analysis contained above. Taking into account the Group’s financial position, the directors of the Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such bank loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

**Maturity Analysis – Term loan subject to a repayment on demand clause  
based on scheduled repayments**

	<b>On demand</b> <i>HK\$'000</i>	<b>Within 3 months</b> <i>HK\$'000</i>	<b>3 months to 1 year</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>	<b>Total undiscounted cash outflows</b> <i>HK\$'000</i>
At 30 April 2018	–	2,180	4,358	6,538	6,464

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, bank loan, short-term loan and obligations under finance leases. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profiles as monitored by management is set out in (i) below.

The Group does not anticipate significant impact to cash at banks because the interest rates of bank deposits are not expected to change significantly. Other than the finance lease liabilities and short-term loan which carry interest at fixed interest rates and bank loan which carries at variable interest rate, the Group has no other significant interest-bearing assets or liabilities. Therefore, the interest rate risk mainly arises from finance lease liabilities, bank loan and short-term loan.

However, the interest expenses derived therefrom are relatively insignificant to the Group's operations. Therefore, the Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, the directors of the Company are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

*(i) Interest rate profile*

The following table details the interest rate profile of the Group's borrowings at the end of each reporting period:

	At 31 December						At 30 April	
	2015		2016		2017		2018	
	Effective interest rate	Amount HK\$'000	Effective interest rate	Amount HK\$'000	Effective interest rate	Amount HK\$'000	Effective interest rate	Amount HK\$'000
<b>Fixed rate borrowings:</b>								
Obligations under finance lease	4.27%	247	4.27%	19	3.07%-3.82%	10,351	3.07%-3.82%	8,832
Short-term loan		—		—	3.00%	18,000	3.00%	18,000
		247		19		28,351		26,832
<b>Variable rate borrowings:</b>								
Bank loan		—		—		—	2.83%	6,464
Total		247		19		28,351		33,296
Fixed rate borrowings as percentage of total borrowings		100.0%		100.0%		100.0%		80.6%

**(d) Fair values measurement**

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015, 2016 and 2017 and 30 April 2018.

**21. MATERIAL RELATED PARTY TRANSACTIONS**

During the Relevant Periods, the transactions with the following parties are considered to be related party transactions of the Company:

Name of related party	Relationship with the Group
Mr. LAW Fu Keung ("Mr. Law")	The controlling shareholder and director of the Company
Ms. CHENG Fung Yi ("Ms. Cheng")	Spouse of Mr. Law and director of the Company

In addition to the transactions and balances disclosed elsewhere in Historical Financial Information, particulars of significant transactions between the Group and the above related parties during the Relevant Periods are as follows:

**(a) Transactions with key management personnel**

All members of key management personnel of the Group are the directors of the Group and their remuneration is disclosed in Note 7.

In addition to the above, the Group entered into the following transactions with key management personnel:

*Recurring transactions*

	For the year ended 31 December			For the four months ended 30 April	
	2015	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating lease charges paid and payable to Ms. Cheng	300	300	300	100	100

*(Unaudited)*

The directors of the Company consider that the above related party transactions during the Relevant Periods were conducted on mutually agreed terms in the ordinary course of the Group's business.

**(b) Financing arrangements with related parties**

At 31 December 2015, 2016 and 2017 and 30 April 2018, the Group has the following balances with related parties:

*(i) Amount due from/(to) a director*

	As at 31 December			As at
	2015	2016	2017	30 April
	HK\$'000	HK\$'000	HK\$'000	2018
Amount due from/(to) Mr. Law	11,064	13,290	(212)	–

The amount due from/to the director was non-trade nature, unsecured, interest-free and repayable on demand.

**22. IMMEDIATE AND ULTIMATE CONTROLLING PARTY**

At the date of issue of the Historical Financial Information, the directors consider the immediate controlling party of the Company to be Miracle Investments, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

The directors regard ultimate controlling party of the Company to be Mr. Law.

**23. OPERATING LEASE COMMITMENTS**

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at
	2015	2016	2017	30 April
	HK\$'000	HK\$'000	HK\$'000	2018
Within 1 year	250	–	–	378
After 1 year but within 5 years	–	–	–	250
	250	–	–	628

The Group is the lessee in respect of office properties held under operating leases. The leases typically run for an initial period of three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

#### 24. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS 2015-2017 Cycle <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determine.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's consolidated financial statements for the period beginning on 1 January 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in the Group's consolidated financial statements for the period beginning on 1 January 2019.



**HKFRS 16, Leases**

As disclosed in note 1(g), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

As disclosed in note (23), at 30 April 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to HK\$628,000 for the Group's properties, less than half of which is payable either between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. Since the Group's non-cancellable operating lease commitment is not material as at 30 April 2018, the Group expected that the adoption of HKFRS 16 will not have significant impact on the financial position and financial performance of the Group. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effect of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment. The Group has not yet decided whether it will choose to take advantage of this practical expedient, and which transition approach to be taken.

**25. SUBSEQUENT EVENTS**

The following significant events took place subsequent to 30 April 2018:

- (a) On 4 October 2018, the Company declared interim dividend in the sum of HK\$25,000,000 to its shareholder.
- (b) On 8 October 2018, the Company resolved to increase its authorised share capital from HK\$380,000 to HK\$30,000,000 by the creation of 2,962,000,000 additional ordinary shares, each ranking pari passu with the Company's ordinary shares then in issue in all respects.
- (c) Pursuant to the written resolutions of the sole Shareholder of the Company passed on 8 October 2018 as detailed in the section headed "Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 8 October 2018" in Appendix IV to the Prospectus, the directors of the Company were authorised to allot and issue a total of 1,199,999,900 ordinary shares credited as fully paid at par to the shareholders as appearing on the register of members of the Company, by way of capitalisation of the sum of HK\$11,999,999 standing to the credit of the share premium account of the Company on the date of the initial listing of shares of the Company on the Main Board of the Stock Exchange.

**26. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 30 April 2018.

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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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The information set forth in this appendix does not form part of the Accountants' Report prepared by Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

### A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Share Offer on the consolidated net tangible assets as at 30 April 2018 as if the Share Offer had taken place on 30 April 2018.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets had the Share Offer been completed as at 30 April 2018 or any future date.

	<b>Consolidated net tangible assets of the Group as at 30 April 2018 <sup>(1)</sup></b>	<b>Estimated net proceeds from the Share Offer <sup>(2)</sup></b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 April 2018</b>	<b>Unaudited pro forma adjusted net tangible assets of the Group per Share <sup>(3)</sup></b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
Based on an Offer Price of HK\$0.32 per share	73,633	107,700	181,333	0.113
Based on an Offer Price of HK\$0.34 per share	73,633	115,300	188,933	0.118

*Notes:*

- (1) The consolidated net tangible assets of the Group as at 30 April 2018 is based on the Group's consolidated net assets as at 30 April 2018, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 400,000,000 new Shares expected to be issued under the Share Offer and the Offer Price of HK\$0.32 per Share or HK\$0.34 per Share, being the low or high end of the stated Offer Price range, respectively, after deduction of the estimated underwriting fees and other listing-related expenses payable by the Group of approximately HK\$20,300,000 or HK\$20,700,000 based on the Offer Price of HK\$0.32 per Share or HK\$0.34 per Share respectively (excluding listing-related expenses of approximately HK\$10,115,000 which have been charged to our consolidated statements of profit or loss and other comprehensive income prior to 30 April 2018), and without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme.

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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- (3) The unaudited pro forma adjusted net tangible assets of the Group per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,600,000,000 Shares are in issue (being the number of Shares expected to be in issue immediately following the completion of the Share Offer) assuming that the Capitalisation Issue and the Share Offer had been completed as of 30 April 2018. It does not take into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.
- (4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2018, including the subsequent events disclosed in the Accountants' Report set out in Appendix I to this prospectus.
- (5) The unaudited pro forma adjusted net tangible assets of our Group does not take into account of the interim dividend of HK\$25,000,000 declared on 4 October 2018. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets of the Group per Share would be approximately HK\$0.098 assuming an Offer Price of HK\$0.32 per Share, and approximately HK\$0.102, assuming an Offer Price of HK\$0.34 per Share.

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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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### B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report received from the reporting accountants, Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, in respect of our Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.*



國富浩華 (香港) 會計師事務所有限公司  
Crowe (HK) CPA Limited

香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

### INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

#### TO THE DIRECTORS OF FULLWEALTH CONSTRUCTION HOLDINGS COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Fullwealth Construction Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 April 2018 and related notes as set out in Part A of Appendix II to the prospectus dated 15 October 2018 (the “**Prospectus**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Part A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the “**Share Offer**”) on the Group's financial position as at 30 April 2018 as if the Share Offer had taken place at 30 April 2018. As part of this process, information about the financial position of the Group as at 30 April 2018 has been extracted by the Directors from the Group's historical financial information included in the accountants' report as set out in Appendix I to the Prospectus.

#### **Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

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## **APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements” issued by 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 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose 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 events or transactions as at 30 April 2018 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

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## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION

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Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

### **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 4.29(1) of the Listing Rules.

**Crowe (HK) CPA Limited**  
*Certified Public Accountants*  
Hong Kong, 15 October 2018

**Yau Hok Hung**  
Practising Certificate Number P04911

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## APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 January 2018 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

### 2. ARTICLES OF ASSOCIATION

The Articles were adopted on 8 October 2018 with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

#### (a) Shares

##### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

##### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized



representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

*(iv) Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the

principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

*(v) Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors*****(i) Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

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**APPENDIX III**                      **SUMMARY OF THE CONSTITUTION OF OUR  
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on

terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

***(iv) Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue

debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) **Remuneration**

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above.



Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary



relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

***(ix) Proceedings of the Board***

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member**

***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings***

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

***(iv) Requisition of general meetings***

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

***(v) Notices of meetings and business to be conducted***

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be

deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

*(vi) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*(vii) Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as

such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the

Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

*(f) Dividends and other methods of distribution*

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:



- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.



No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

**(i) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or

kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 19 January 2018 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company

subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may

not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 1 February 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.



As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

#### **(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

#### **(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after



the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and 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 19 January 2018. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance and our principal place of business in Hong Kong is at Shops 11-12, G/F, Leung Choy Building, 2-44 Ping Fai Path, Yuen Long, New Territories, Hong Kong. Cheung & Liu, Solicitors has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles of Association is set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of incorporation, our Company has an authorised share capital of HK\$380,000 divided into 38,000,000 shares of par value HK\$0.01 each. One fully-paid Share was allotted and issued to the initial subscriber on 6 February 2018, and was subsequently transferred to Miracle Investments on the same date.
- (b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued shares of Civil Link from Miracle Investments, 99 Shares, all credited as fully paid, were allotted and issued to Miracle Investments on 6 February 2018.
- (c) On 8 October 2018, the Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 divided into 38,000,000 shares of par value HK\$0.01 each to HK\$30,000,000 divided into 3,000,000,000 shares of par value HK\$0.01 each by the creation of an additional of 2,962,000,000 Shares, each ranking pari passu with the Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, 1,600,000,000 Shares will be issued fully paid or credited as fully paid, and 1,400,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our sole Shareholder passed on 8 October 2018” in this appendix and pursuant to the Share Option Scheme, our Company do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (f) Save as disclosed in the section headed “Share Capital” of this prospectus and in this paragraph headed “Changes in share capital of our Company”, there has been no alteration in our Company’s share capital since its incorporation.

### 3. Written resolutions of our sole Shareholder passed on 8 October 2018

By written resolutions of our sole Shareholder passed on 8 October 2018:

- (a) our Company approved and adopted the Memorandum;
- (b) our Company conditionally approved and adopted the Articles;
- (c) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$30,000,000 divided into 3,000,000,000 Shares of par value HK\$0.01 each by the creation of an additional of 2,962,000,000 Shares of par value HK\$0.01 each, each ranking *pari passu* with the existing Shares in all respects;
- (d) conditional on the Listing Committee granting listing of, and permission to deal in, our Shares in issue and the Shares to be issued as mentioned in this prospectus including any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and 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, in each case on or before the date falling 30 days after the date of this prospectus:
- (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” below in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and
- (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$11,999,999 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 1,199,999,900 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 8 October 2018 in proportion (as nearly

as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;

- (e) a general unconditional mandate was given to our Directors exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders at general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (f) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and

- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (g) the general unconditional mandate mentioned in sub-paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (f) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

#### **4. Corporate reorganisation**

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the paragraph headed “History, Development and Reorganisation – Reorganisation” in this prospectus for further details.

#### **5. Changes in share capital of subsidiaries**

The subsidiaries of our Company are listed in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Development and Reorganisation” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

#### **6. Repurchase of our Shares by our Company**

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

##### ***(a) Provisions of the Listing Rules***

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

##### ***(i) Shareholders’ approval***

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

*Note:* Pursuant to the written resolutions of our sole Shareholder passed on 8 October 2018, a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors authorising our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, such number of Shares representing up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by law or the Articles to be held, or when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

*(ii) Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company’s share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

*(iii) Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a “connected person”, which includes a Director, chief executive or substantial Shareholder or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

***(b) 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 the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

*(c) Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue after completion of the Capitalisation Issue and Share Offer, could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

*(d) Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

*(e) General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.



**B. FURTHER INFORMATION ABOUT THE BUSINESS****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:


- (a) an agreement for the sale and purchase of 5,760,000 shares of Ming Shing Construction Engineering Company Limited dated 6 February 2018 entered into between Law Fu Keung as vendor and Civil Link Holdings Company Limited as purchaser, in consideration of which Civil Link Holdings Company Limited allotted and issued 100 fully-paid shares to Miracle Investments Company Limited;
- (b) an agreement for the sale and purchase of 200 shares in Civil Link Holdings Company Limited dated 6 February 2018 entered into between Miracle Investments Company Limited as vendor and Fullwealth Construction Holdings Company Limited as purchaser, in consideration of which Fullwealth Construction Holdings Company Limited allotted and issued 99 fully-paid Shares to Miracle Investments Company Limited;
- (c) the deed of non-competition dated 8 October 2018 executed by Law Fu Keung and Miracle Investments Company Limited in favour of Fullwealth Construction Holdings Company Limited (富匯建築控股有限公司) (for itself and on behalf of its subsidiaries), details of which are set out in the section headed “Relationship with Controlling Shareholders – Deed of Non-competition”;
- (d) the deed of indemnity dated 8 October 2018 given by Law Fu Keung and Miracle Investments Company Limited in favour of Fullwealth Construction Holdings Company Limited (富匯建築控股有限公司) (for itself and on behalf of its subsidiaries), containing indemnities referred to in the sub-section headed “Tax and other indemnities” in this appendix; and
- (e) the Public Offer Underwriting Agreement.



## 2. Intellectual property rights

### *Trademark*

As at the Latest Practicable Date, our Group had registered the following trademark in Hong Kong:

<b>Trademark</b>	<b>Class</b>	<b>Application Number</b>	<b>Duration</b>	<b>Registrant</b>
	35, 37, 42	304499542	20 April 2018 – 19 April 2028	Fullwealth Construction Holdings Company Limited

As at the Latest Practicable Date, our Group had registered the following domain name:

<b>Domain Name</b>	<b>Registration Date</b>	<b>Expiry Date</b>
fullwealth.hk	2 February 2018	2 February 2019

## C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

### 1. Disclosure of interests

#### *(a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following the completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

- (i) Long position in our Shares

<b>Name of Director</b>	<b>Capacity/ Nature</b>	<b>No. of Shares held (Note 1)</b>	<b>Approximate percentage of shareholding</b>
Mr. Law (Note 2)	Interest in controlled corporation	1,200,000,000	75%
Ms. Cheng (Note 3)	Interest of spouse	1,200,000,000	75%

*Notes:*

- (1) All interests stated are long positions.
- (2) Mr. Law beneficially owns the entire issued share capital of Miracle Investments. Therefore, Mr. Law is deemed, or taken to be, interested in all the Shares held by Miracle Investments for the purpose of the SFO. Mr. Law is the sole director of Miracle Investments.
- (3) Ms. Cheng is the spouse of Mr. Law. Under the SFO, Ms. Cheng is deemed to be interested in the same number of Shares in which Mr. Law is interested.

*(b) Interests of substantial and other Shareholders in our Shares and underlying Shares*

So far as is known to our Directors and taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company as disclosed in paragraph (a) above) will, immediately following the completion of the Capitalisation Issue and the Share Offer have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

*Long position in our Shares*

<b>Name</b>	<b>Nature of Interest</b>	<b>No. of Shares held (Note)</b>	<b>Approximate percentage of shareholding</b>
Miracle Investments	Beneficial owner	1,200,000,000	75%

*Note:* All interests stated are long positions.

## 2. Particulars of service agreements

None of our Directors has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## 3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the Track Record Period were approximately HK\$263,000, HK\$353,000, HK\$404,000 and HK\$351,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2018 will be approximately HK\$1,750,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (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:

	<i>HK\$</i>
<b>Executive Directors</b>	
Mr. Law Fu Keung	1,200,000
Ms. Cheng Fung Yi	1,200,000
<b>Independent non-executive Directors</b>	
Ms. Li On Lei	150,000
Mr. Law Kam Chuen	150,000
Ms. Shum Wing Ting	150,000

## 4. Fees or commission received

In connection with the Share Offer, the Sponsor has been appointed as the compliance adviser of the Company with effect from the Listing Date until the despatch of the Company's consolidated audited financial results for the first full financial year after the Listing Date and the Underwriters will receive an underwriting commission of 5.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling commissions. For details, please refer to the section headed "Underwriting" in this prospectus. None of our Directors or other experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

**5. Related party transactions**

Details of the related party transactions are set out under Note 21 to the Accountants' Report set out in Appendix I to this prospectus.

**6. Disclaimers**

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and

- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

#### **D. SHARE OPTION SCHEME**

##### **(a) Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the content requires otherwise:

“Adoption Date”	8 October 2018, the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest

##### **(b) Summary of terms**

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 8 October 2018:

###### ***(i) Purpose of the Share Option Scheme***

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

###### ***(ii) Who may join and basis of eligibility***

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to

subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

***(iii) Price of Shares***

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent; and for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than 5 business days, the issue price shall be used as the closing price for any business day fall within the period before listing.

***(iv) Grant of options and acceptance of offers***

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

***(v) Maximum number of Shares***

(aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 160,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 160,000,000 Shares from time to time) to the participants under the Share Option Scheme.

(bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to

be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or 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 refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

- (cc) our Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, and such other information required under the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in such 30% limit being exceeded.

*(vi) Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Where any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

*(vii) Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
  
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
  - (i) representing in aggregate over 0.1% of the Shares in issue; and
  - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by the Shareholders in the aforesaid manner.

*(viii) Restrictions on the times of grant of options*

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:
  - (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and



(ii) the last day on which our Company shall publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or any other interim period and ending on the date of the results announcement (whether or not required under the Listing Rules).

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted on any day on which financial results of our Company are published and:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

***(ix) Time of exercise of option***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

***(x) Performance targets***

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

***(xi) Ranking of Shares***

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

***(xii) Rights are personal to grantee***

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

*(xiii) Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his/her death, then his/her personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

*(xiv) Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

*(xv) Rights on cessation of employment for other reasons*

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently 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 (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

*(xvi) Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised and/or the subscription prices, as the auditors of or independent financial advisor to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the

Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), provided that any such alteration shall give a grantee as near as possible the same proportion of the issued share capital of our Company as that to which he/she/it was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

*(xvii) Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

*(xviii) Rights on winding-up*

In the event a notice is given by our Company to the 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 date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee shall be entitled to exercise all or any of his options (to the extent not already lapsed or exercised) at any time not later than 2 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

*(xix) Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees on the same day as it gives notice of the meeting to the Shareholders or the creditors of our Company to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than 2 business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the "Suspension Date"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice

is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

*(xx) Lapse of options*

Subject to paragraph (xiv) above, an option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii) above;
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii) or (xviii) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his/her creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his/her integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) becoming effective, the date on which such compromise or arrangement becomes effective.

***(xxi) Cancellation of options granted but not yet exercised***

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation.

***(xxii) Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

***(xxiii) Alteration to the Share Option Scheme***

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees or prospective grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

***(xxiv) Termination to the Share Option Scheme***

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

*(xxv) Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on the Listing Committee granting the listing of, and permission to deal in the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

**(c) Present status of the Share Option Scheme**

Application has been made to the Listing Committee for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

**E. OTHER INFORMATION****1. Tax and other indemnities**

Our Controlling Shareholders (Collectively the “Indemnifiers”) have, under a Deed of Indemnity referred to in the sub-section headed “B. Further Information about the Business – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for itself and on behalf of our subsidiaries in connection with, among other things,

- (a) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued, or received or deemed or alleged to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; and
- (b) all costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group Companies may make, suffer or incur in connection with:
  - (i) the investigation, assessment or contesting of any taxation claim under the Deed;
  - (ii) the settlement of any taxation claim under the deed;
  - (iii) any legal proceedings in which any of the member of the Group claims in relation to any taxation claim under or in respect of the Deed and in which judgement, award or decision is given for any member of our Group; and
  - (iv) the enforcement of any such settlement or judgment referred to in (ii) and (iii) above.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- specific provision or reserve has been made for such taxation liability in the audited accounts of our Company or any member of our Group for the Track Record Period; or
- the taxation liability arises or is increased as a result only of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- the taxation liability arises in the ordinary course of business of our Group after 30 April 2018 up to and including the date on which the Share Offer becomes unconditional.

The Indemnifiers will also indemnify our Company and each member of our Group against all claims, liabilities, losses, fines, demands, payments, suits, damages, settlement payments and any associated costs and expenses of whatever nature suffered by or incurred by our Company and/or other relevant member of our Group as a result of directly or indirectly or in connection with:

- (a) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether of criminal, administrative, contractual, tortious nature or otherwise instituted by or against our Company and/or any member 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 member of our Group on or before the date of fulfilment of all conditions set out in the paragraph headed “Conditions of the Share Offer” under the section headed “Structure and Conditions of the Share Offer” in this prospectus;
- (b) all relocation costs, loss of profit and business, penalties and fines and all losses and damages which may be suffered by our Company and any member of our Group as a result of any relocation due to the non-obtaining of the mortgagee’s consent (if any) as referred to in the section headed “Business – Properties” of this prospectus;
- (c) any irregularities in relation to the corporate documents of any member of our Group which have been specifically referred to and confirmed by the Indemnifiers in writing; and
- (d) any non-compliance with the applicable laws, rules or regulations by the Company and/or any member of our Group on or before the date of fulfilment of all conditions set out in the paragraph headed “Conditions of the Share Offer” under the section headed “Structure and Conditions of the Share Offer” in this prospectus,

except that specific provision, reserve or allowance has been made for such liabilities in the audited combined accounts of our Company for the Track Record Period.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

## **2. Litigation**

Save as disclosed in the paragraph headed “Litigation, arbitration and potential claims” under the section headed “Business” 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 against any member of our Group.

## **3. Sponsor**

The Sponsor has made an application to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and our Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay HK\$4.8 million to the Sponsor to act as the sponsor to our Company for purposes of the Share Offer.

## **4. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are estimated to be approximately HK\$33,540 and are payable by our Company.

## **5. Promoter**

There is no promoter of our Company for the purpose of the Listing Rules.



**6. Qualifications of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
Frontpage Capital Limited	a licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Cheung & Liu, Solicitors	Legal adviser to our Company as to Hong Kong law
Crowe (HK) CPA Limited	Certified Public Accountants
Appleby	Legal advisers to our Company as to Cayman Islands law
Ipsos Limited	Market research consultant

**7. Consents of experts**

Each of Frontpage Capital Limited, Cheung & Liu, Solicitors, Crowe (HK) CPA Limited, Appleby and Ipsos Limited has given and has not withdrawn his/its written consent to the issue of this prospectus with the inclusion of his/its reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

**8. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

**9. Taxation of holders of Shares****(a) Hong Kong**

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

**(b) Cayman Islands**

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**10. No material adverse change**

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 30 April 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up).

**11. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash; and
  - (ii) no 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 and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
  - (iii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Save as disclosed in this prospectus, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “Consents of experts” in this appendix:
- (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.

- (d) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) 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 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) We have no outstanding convertible debt securities.
- (h) Our Directors have been advised that, under the laws of the Cayman Islands, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene Cayman Islands law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

## **12. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE** and **YELLOW** Application Forms;
- (b) copies of the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus;

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Cheung & Liu, Solicitors at 6th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information prepared by Crowe (HK) CPA Limited, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the audited consolidated financial statements of our Company as have been prepared for the companies comprising our Group for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018;
- (d) the letter of advice prepared by Appleby, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (e) the material contracts referred to the section headed “Statutory and General Information – B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (f) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus;
- (g) the Companies Law;

- (h) the rules of the Share Option Scheme;
- (i) the service contracts of our Directors referred to in the paragraph headed “Statutory and General Information – C. Further information about substantial shareholders, directors and experts – 3. Directors’ remuneration” in Appendix IV to this prospectus;
- (j) the legal opinion issued by Cheung & Liu, Solicitors, our legal adviser as to Hong Kong laws, in respect to the compliance of our Group with the applicable laws and regulations in Hong Kong; and
- (k) the industry report issued by Ipsos Limited.



**FULLWEALTH CONSTRUCTION HOLDINGS COMPANY LIMITED**  
**富匯建築控股有限公司**