SK TARGET GROUP LIMITED
瑞強集團有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code : 8427

SHARE OFFER

Sole Sponsor

RHB Capital Hong Kong Limited

Joint Lead Managers and Joint Bookrunners

潮商證券有限公司 ChaoShang Securities Limited

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

Supreme China Securities Limited 智華證券有限公司

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

SK TARGET GROUP LIMITED
瑞強集團有限公司

(incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares	:	**180,000,000 Shares**
Number of Public Offer Shares	:	**18,000,000 Shares (subject to reallocation)**
Number of Placing Shares	:	**162,000,000 Shares (subject to reallocation)**
Offer Price	:	**Not more than HK$0.31 per Offer Share and expected to be no less than HK$0.25 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full upon application and subject to refund)**
Nominal Value	:	**HK$0.01 per Share**
Stock Code	:	**8427**

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

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

The Offer Price is expected to be determined by the Price Determination Agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on or about Wednesday, 12 July 2017 or such later date as may be agreed between the parties. If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by that date or such later date as agreed by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse. The Offer Price will not be more than HK$0.31 per Offer Share and is expected to be not less than HK$0.25 per Offer Share, unless otherwise announced. The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the above indicative Offer Price range at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Offer Price range will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.targetprecast.com.

Prospective investors of the Offer Shares should note that the Joint Lead Managers (for themselves and on behalf of the Underwriters) may in its absolute discretion, upon giving notice in writing to our Company, terminate the Underwriting Agreements with immediate effect if any of the events set forth under the section headed "Underwriting – Underwriting arrangements and expenses – Public Offer Underwriting Agreement – Grounds for termination" of this prospectus occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Lead Managers (for themselves and on behalf of the Underwriters) terminate the Underwriting Agreements in accordance with the terms of the Underwriting Agreements, the Share Offer will not proceed and will lapse.

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

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIB in reliance on an exception from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

6 July 2017

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

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

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

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

	2017 *(Note 1)*
Public Offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Thursday, 6 July
Latest time for completing electronic applications under the **HK eIPO White Form** service through the designated website at www.hkeipo.hk *(Note 2)*	11:30 a.m. on Tuesday, 11 July
Application lists of the Public Offer open *(Note 3)*	11:45 a.m. on Tuesday, 11 July
Latest time for lodging **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC *(Note 4)*	12:00 noon on Tuesday, 11 July
Latest time to complete payments for **HK eIPO White Form** applications by effecting internet banking transfers or PPS payment transfer(s)	12:00 noon on Tuesday, 11 July
Application lists of the Public Offer close *(Note 3)*	12:00 noon on Tuesday, 11 July
Expected Price Determination Date *(Note 5)*	Wednesday, 12 July
Announcement of (i) the final Offer Price; (ii) the level of indication of interest in the Placing; (iii) the level of applications in the Public Offer; and (iv) the basis of allotment of the Public Offer Shares to be published on the website of our Company at www.targetprecast.com and the website of the Stock Exchange at www.hkexnews.hk	Tuesday, 18 July
Results of allocation in the Public Offer to be available at www.tricor.com.hk/ipo/result with a “search by ID Number/Business Registration Number” function from	Tuesday, 18 July

Announcement of results of allotment of the Public Offer (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels as described in the paragraph headed "How to apply for Public Offer Shares – 11. Publication of results" in this prospectus from . . . . .Tuesday, 18 July

Despatch/collection of refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Public Offer on or before *(Notes 6 to 10)* . . . . .Tuesday, 18 July

Despatch/Collection of Share certificates and/or **HK eIPO White Form** e-Auto Refund payment instructions/refunds cheques on or before *(Notes 6 and 7)* . . . . Tuesday, 18 July

Dealings in the Shares on GEM to commence at. . . . . 9:00 a.m. on Wednesday, 19 July

Notes:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 11 July 2017, the application lists will not open or close on that day. Further information is set forth in the section headed "How to Apply for Public Offer Shares – 10. Effect of bad weather on the opening and the closing of the application lists" in this prospectus.

4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

5. The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, 12 July 2017. If the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by that date or such later date as agreed by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK$0.31 per Offer Share, applicants must pay the maximum Offer Price of HK$0.31 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed "How to Apply for Public Offer Shares" in this prospectus.

6. Share certificates for the Offer Shares are expected to be issued on Tuesday, 18 July 2017 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 19 July 2017 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated, we will make an announcement as soon as possible.

7. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) or through the **HK eIPO White Form** service may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 18 July 2017 or any other day as announced by us as the date of despatch of Share certificates/refund cheques.

   Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

8. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

9. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for Public Offer Shares – 14. Despatch/collection of share certificates and refund monies" of this prospectus.

10. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website at www.hkeipo.hk by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus to make your investment decision. We, the Sole Sponsor, the Joint Lead Managers, and the Joint Bookrunners have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Lead Managers and the Joint Bookrunners, any of their respective directors, officers, employees, agents or representatives, or any other person or party involved in the Share Offer.

The contents on the website at www.targetprecast.com, which is the official website of our Company, do not form part of this prospectus.

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

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

OVERVIEW

Established in 1993, we manufacture and sell precast concrete telecommunication junction boxes and precast concrete electrical junction boxes under our brand of "Target" in Malaysia. Our precast concrete junction boxes are used in (i) telecommunication and electrical infrastructures upgrade and expansion works; and (ii) construction projects in Malaysia. They are buried underground to deter tampering and are used to house and protect a junction with telecommunication and electrical utility connection and distribution access points from weather, changing elevation underground and provide easy access for maintenance. According to the Ipsos Report, we ranked first in the entire precast concrete junction box industry (i.e. the industry in relation to the manufacturing of both precast concrete telecommunication junction box and precast concrete electrical junction box) in terms of revenue in Malaysia in 2015 with a market share of approximately 28.3%. We have been a registered supplier or approved supplier of various notable telecommunication companies such as Celcom Axiata Berhad and Telekom Malaysia since 2008 and registered supplier of TNB, the only electric utility company, in Malaysia since 2012. Hence, our precast concrete junction boxes can be used in infrastructure or construction projects involving the telecommunication companies and TNB.

Traditional cast-in-situ junction boxes are substitutes to our Group's precast concrete junction boxes. As the traditional cast-in-situ junction box requires junction boxes to be assembled or cast on site rather than manufactured in a factory, it requires a longer installation time, more manpower and a higher level of material wastage. According to the Ipsos Report, in Malaysia, the use of precast concrete junction boxes has become more prevalent in construction projects, replacing traditional cast-in-situ concrete construction practices due to time effectiveness, cost efficiency, consistent quality and structural specifications that can be achieved by using precast concrete junction boxes. The continuing adoption and demand of precast concrete junction box is expected to steadily increase. For further details of the advantages of the use of precast concrete junction boxes over the traditional cast-in-situ concrete construction practices, please refer to the section headed "Industry Overview – Precast concrete junction box industry in Malaysia" in this prospectus.

OUR BUSINESS MODEL

We manufacture and sell precast concrete junction boxes in standard sizes and dimensions generally required by the telecommunication companies and TNB. We also manufacture customised precast concrete junction boxes according to the needs of our customers. To complement our core business of manufacturing and selling precast concrete junction boxes, we also (a) trade junction box accessories and pipes which (i) protect the underground wires and cables and (ii) connect different junction boxes on a standalone basis or together with our precast concrete junction boxes to customers; and (b) offer mobile crane rental and ancillary services such as uplifting services, mainly for our precast concrete junction boxes. As at the Latest Practicable Date, we had two mobile cranes for offering short-term leasing to our customers. We also hire mobile cranes from third parties for sub-leasing on a back-to-back basis. Our Directors confirm that we sell the inventory stock of our standard precast concrete junction boxes or manufacture customised precast concrete junction boxes upon receiving customers' confirmation on our quotations, therefore, order backlog of our precast concrete junction boxes is not applicable to our business.

Our precast concrete junction boxes. Our precast concrete junction boxes can broadly be categorised into two types in terms of their usage and application, namely, (i) precast concrete telecommunication junction boxes; and (ii) precast concrete electrical junction boxes, and each of them can be further divided into two categories, i.e. "heavy duty" and "light duty" in terms of their loading strengths to cater for different volumes of road traffic at the site, and each category would have different models in terms of their dimension and usage, number of duct ways or loading designs. Most of our precast concrete junctions boxes are of standard sizes and dimensions though we also produce customised precast concrete junction boxes. In respect of our standard precast concrete junction boxes, our senior management, together with our production team, will devise our production plan on a bi-weekly basis based on their experience in the industry and historical track record of the relevant period. We also manufacture customised precast concrete junction boxes to cater for customers' specific requirements on size and loading strength of our precast junction boxes. We deliver our products to customers either through our in-house vehicles or Independent Third Party logistics service providers.

Our revenue. During the Track Record Period, our total revenue amounted to approximately RM23.2 million, RM33.3 million and RM24.5 million, respectively. Our Group recorded a substantial increase in revenue from approximately RM23.2 million for FY2015 to approximately RM33.3 million for FY2016, mainly contributed by the increase in the revenue generated from the manufacturing and sale of precast concrete junction boxes from approximately RM20.5 million for FY2015 to approximately RM29.1 million for FY2016. The following table sets forth a breakdown of our revenue by business category during the Track Record Period:

	Year ended 31 May				**Nine months ended**			
					29 February		**28 February**	
	2015		**2016**		**2016**		**2017**	
	RM'000	*%*	*RM'000*	*%*	*RM'000*	*%*	*RM'000*	*%*
					(unaudited)			
Manufacturing and sale of precast concrete junction boxes	20,521	88.6	29,089	87.4	21,256	87.3	21,063	85.9
Trading of junction box accessories and pipes	1,790	7.7	3,862	11.6	2,840	11.7	3,254	13.3
Provision of mobile crane rental and ancillary services	854	3.7	330	1.0	244	1.0	203	0.8
Total	23,165	100.0	33,281	100.0	24,340	100.0	24,520	100.0

Our gross profit and gross profit margin. During the Track Record Period, our gross profit was approximately RM7.5 million, RM9.9 million and RM8.3 million, respectively. The table below sets forth the breakdown of our gross profit and gross profit margin by business category during the Track Record Period:

	Year ended 31 May				Nine months ended			
	2015		2016		29 February 2016		28 February 2017	
	Gross profit RM'000	*Gross profit margin %*	*Gross profit RM'000*	*Gross profit margin %*	*Gross profit RM'000* (unaudited)	*Gross profit margin %*	*Gross profit RM'000*	*Gross profit margin %*
Manufacturing and sale of precast concrete junction boxes	6,947	33.9	9,589	33.0	7,052	33.2	7,823	37.1
Trading of junction box accessories and pipes	204	11.4	329	8.5	266	9.4	413	12.7
Provision of mobile crane rental and ancillary services	327	38.3	11	3.3	10	4.1	31	15.3
Total	7,478	32.3	9,929	29.8	7,328	30.1	8,267	33.7

For detailed analysis of our Group's revenue, gross profit and gross profit margin, please refer to the section headed "Financial Information – Period to period comparison of results of operations" of this prospectus.

OUR PRODUCTION PLANT AND PRICING POLICY

Our production plant. We manufacture precast concrete junction boxes at our Existing Selangor Plant, which is a leased property with a total gross area of approximately 8,093.7 m^2, of which approximately 680 m^2 of the gross area is used for production while the remaining areas are used for storage etc.

Our production capacity. During the Track Record Period and up to the Latest Practicable Date, we manufactured our precast concrete junction boxes at our Existing Selangor Plant. The production capacity and utilisation rate of which is set out in the following table:

	Year ended 31 May		Nine months ended 28 February
	2015	2016	2017
Production capacity (m^3/year) *(Note 1)*	24,186	23,316	17,487
Actual production volume (m^3/year) *(Note 2)*	14,002	19,766	14,531
Utilisation rate	57.9%	84.8%	83.1%

Notes:

1. The production capacity is calculated based on (i) one session per day, (ii) 312 working days per year or 234 working days per nine months, and (iii) 77.52 m^3, 74.73 m^3 and 74.73 m^3 maximum ready-mix concrete used per day for FY2015, FY2016 and the nine months ended 28 February 2017 respectively. The production area of our Existing Selangor Plant is approximately 680 m^2 and the average base area of each mould in the demoulding stage was approximately 4.46 m^2, 4.81 m^2 and 4.81 m^2 for FY2015, FY2016 and the nine months ended 28 February 2017 respectively. Therefore, the approximate number of moulds could be placed each session is 152 moulds, 141 moulds and 141 moulds respectively. The maximum ready-mix concrete used per day for FY2015, FY2016 and the nine months ended 28 February 2017 is the approximate number of moulds could be placed each session multiplies the average volume of ready-mix concrete needed for each mould.

2. The actual production volume is the actual concrete used for FY2015, FY2016 and the nine months ended 28 February 2017 respectively.

Our pricing policy. We generally determine the prices of our precast concrete junction boxes and the junction box accessories traded by us on a cost-plus basis, since each product has its own specifications or requirements, the pricing of which is negotiated and determined on a case by case basis with individual customers in order to balance the profitability between our customers and our Group. Generally, we determine the price of our products taking into account factors including (i) product specifications, functional and quality requirements, complexity of the manufacturing process, sales volume, lead time and delivery schedules required by our customers; (ii) the competitive landscape of the products; (iii) production costs, especially the prevailing costs of ready-mix concrete; and (iv) payment terms.

COMPETITIVE LANDSCAPE AND MARKET SHARE

According to the Ipsos Report, the precast concrete telecommunication junction box and electrical junction box manufacturing industry in Malaysia is competitive and consolidated. There are few players who specialise in manufacturing precast concrete telecommunication and electrical junction boxes with the majority of players covering a range of precast concrete utilities products. According to the Ipsos Report, the top five manufacturers in the precast concrete junction box industry in Malaysia accounted for approximately 69.3% of the total market share by revenue in Malaysia in 2015, of which our Group ranked first in 2015 in terms of revenue with approximately 28.3% market share of the total revenue of the precast concrete junction box industry in Malaysia.

OUR SALES AND CUSTOMERS

Customers. During the Track Record Period, our Group's major customers included infrastructure companies, construction companies, general contractors, mechanical or electrical contractors or sub-contractors in infrastructures and construction projects and traders of telecommunication and electrical materials in Malaysia. For FY2015, FY2016 and the nine months ended 28 February 2017, our Group's sales to our five largest customers accounted for approximately 17.0%, 21.4% and 21.9% of our total revenue respectively. In the corresponding periods, sales to our largest customer accounted for approximately 5.7%, 4.7% and 5.4% of our revenue respectively.

Payment. Generally, our customers are required to settle all payment between 30 to 120 days from the first day of the succeeding month of our invoice date. New customers who need a longer credit period are required to fill in our Group's standard form and to disclose information such as their incorporate details, credit granted by their suppliers, and details of their bank accounts with principal financial institutions. For certain contracts with a large contract sum, we may request our customers to pay 30% to 50% of the total contract sum upon confirmation of the quotation with the remaining contract sum to be settled upon delivery. For further details in relation to our major customers and credit policy, please refer to the section headed "Business – Customers" of this prospectus.

OUR MAJOR RAW MATERIALS, SUPPLIERS AND PROCUREMENT

Raw materials. Major raw materials used by us for manufacturing precast concrete junction boxes include ready-mix concrete, steel bars and junction box covers, and they are all sourced in Malaysia. The cost of our raw materials amounted to approximately RM11.9 million, RM18.1 million and RM12.5 million for FY2015, FY2016 and the nine months ended 28 February 2017 respectively, representing approximately 76.0%, 77.5% and 77.2% of our total cost of sales during the corresponding periods respectively.

Suppliers. All our suppliers are based in Malaysia. Our Group is generally required to pay for the raw materials between 30 to 75 days from the first day of the succeeding month of the invoice date, and payment of purchase price for the raw materials is generally made by cheques or bank transfers or bank acceptance bills endorsed to us by our customers and settled in RM. For further details of our suppliers, please refer to the paragraphs headed "Business – Suppliers" of this prospectus. For FY2015, FY2016 and the nine months ended 28 February 2017, our purchases from our five largest suppliers represented approximately 57.3%, 66.1% and 48.7% of our total purchases, our purchase from our largest supplier during the corresponding periods represented approximately 17.9%, 18.4% and 12.1% respectively.

Procurement. We formulate a procurement plan and budget for purchasing of our frequently used raw materials including steel bars and junction box covers based on our purchase orders and projected production schedules in the next two to three weeks whereas the ready-mix concrete is ordered on a weekly basis and is to be delivered to our Existing Selangor Plant on a daily basis for use immediately after delivery.

***Collaboration Agreement with Ready-mix Concrete Supplier.* Our Group entered into the Collaboration Agreement with the Ready-mix Concrete Supplier, a private limited liability company established under the laws of Malaysia, which holds a valid batching plant licence, on 24 February 2017. The estimated production capacity of the mini-batching plant operated by the Ready-mix Concrete Supplier is approximately 26,400 m^3 per annum and taking into account our Group's actual consumption of 19,766 m^3 of ready-mix concrete for FY2016, our Directors expect that the mini-batching plant will have capacity to supply the ready-mix concrete that our Existing Selangor Plant would need for production. Pursuant to the Collaboration Agreement, our Group shall provide at our own costs of (i) facilities and machineries; (ii) raw materials; and (iii) mini-batching plant to the Ready-mix Concrete Supplier for the production of ready-mix concrete for our exclusive use. Our Group shall also pay the Ready-mix Concrete Supplier the service fee on a monthly basis. For details of the Collaboration Agreement, please refer to the section headed "Business – Collaboration with a Ready-mix Concrete Supplier – The Collaboration Agreement" in this prospectus. Given that the Ready-mix Concrete Supplier shall produce the ready-mix concrete by using the facilities and machineries (including but not limited to batching plant and loader) and raw materials provided, owned and controlled by our Group and the output is supplied solely to our Group on an exclusive basis, our Group can, in substance, exercise control over the business unit operated by the Ready-mix Concrete Supplier in relation to the production of the ready-mix concrete undertaken by the Ready-mix Concrete Supplier. Accordingly, our Group should consolidate such business unit in our Group's consolidated financial statements in accordance with IFRS 10. Further details of the accounting treatment of Collaboration Agreement are set out in the paragraph headed "Financial Information – Accounting treatment of Collaboration Agreement".**

COMPETITIVE STRENGTHS

Our Directors believe that our Group possesses the following competitive strengths which are described in greater detail in the paragraphs headed "Business – Competitive strengths" of this prospectus:

- We have an established operating history and proven track record;

- We are a registered or approved supplier of precast concrete junction boxes to most of the notable and large-scale telecommunication companies and TNB;
- We offer high quality precast concrete junction boxes of different sizes and loading strengths; and
- We have an experienced and professional management team.

BUSINESS STRATEGIES

Our principal business objectives are to achieve sustainable growth, further strengthen our position in the precast concrete junction box industry in Malaysia, and to create long-term value for our Shareholders by executing the following key strategies:

- Expand our production capacity at our Existing Selangor Plant and complete the establishment of our New Kulaijaya Plant;
- Acquisition of the parcel of land in Southern Malaysia on which our New Kulaijaya Plant is situated or a parcel of land in its peripheral area;
- Continue to expand our Group's sales and marketing team; and
- Expand our business vertically in the supply chain of the precast concrete junction box industry through mergers and acquisitions.

For more details regarding our business strategies, please refer to the section headed "Business – Business strategies" of this prospectus.

SHAREHOLDER INFORMATION

Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any options which may be granted under the Share Option Scheme), Merchant World, which is wholly-owned by Mr. Loh, will be interested in approximately 51.13% of the issued share capital of our Company. Accordingly, Merchant World and Mr. Loh will be our Controlling Shareholders. For details concerning the shareholding interest of our Controlling Shareholders, please refer to the section headed "Relationship with the Controlling Shareholders" of this prospectus.

Our Controlling Shareholders have confirmed that none of them and their respective associates is interested in any business which competes or is likely to compete, directly or indirectly, with the business of our Group. Our Controlling Shareholder, Mr. Loh is an executive Director of our Company. For further details, please refer to the section headed "Directors, Senior management and Employees – Directors – Executive Directors" of this prospectus.

PRE-IPO INVESTMENT

On 3 August 2016, a subscription agreement was entered into between Greater Elite and Gallant Empire, pursuant to which Greater Elite agreed to subscribe for, and Gallant Empire agreed to allot and issue, 388 shares of Gallant Empire at the total subscription price of HK$15,000,000. It is expected that Greater Elite will bring strategic benefits to our Group by providing financing and strategic advice to our Group's businesses. The said 388 shares were properly and legally allotted and issued on 11 November 2016. After the said allotment, Gallant Empire was owned as to 72.05% by Merchant World and 27.95% by Greater Elite.

For further details, please refer to the section headed "History and Development – Pre-IPO Investment" of this prospectus.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables present a summary of key operational and financial data during the Track Record Period and should be read in conjunction with our financial information included in the Accountants' Report set forth in Appendix I to this prospectus, including the notes thereto.

Selected information extracted from the consolidated statements of profit or loss and other comprehensive income

	Year ended 31 May		Nine months ended	
			29 February	28 February
	2015	2016	2016	2017
	RM'000	*RM'000*	*RM'000*	*RM'000*
			(unaudited)	
Revenue	23,165	33,281	24,340	24,520
Cost of sales	(15,687)	(23,352)	(17,012)	(16,253)
Gross profit	7,478	9,929	7,328	8,267
Other income	70	154	142	100
Administrative expenses	(1,255)	(2,198)	(1,322)	(2,022)
Listing expenses	–	–	–	(4,292)
Selling and distribution expenses	(1,081)	(1,256)	(1,000)	(1,088)
Finance costs	(98)	(75)	(54)	(50)
Fair value change of financial assets at fair value through profit or loss	(7)	12	18	13
Profit before taxation	5,107	6,566	5,112	928
Taxation	(1,261)	(1,671)	(1,191)	(1,314)
Profit/(loss) and total comprehensive income/(expense) for the year/period	3,846	4,895	3,921	(386)

Our Group's revenue represents the amounts received and receivable for revenue deriving from (i) manufacturing and selling precast concrete junction boxes; (ii) trading of junction box accessories; and (iii) crane rental and ancillary services during the Track Record Period. Since our products were provided to customers on a project-by-project and non-recurring basis, our revenue fluctuated during the Track Record Period, subject to various factors such as the nature of customers' projects and types of products and/or services required.

For the nine months ended 28 February 2017, our Group recorded a loss as compared with profit for the nine months ended 29 February 2016. The decrease was mainly due to (i) the non-recurring and non-tax deductible expense in relation to Listing expenses; (ii) the increase in administrative expenses as a result of the increase in our staff costs; and (iii) the increase in income tax expenses.

Selected information extracted from the consolidated statements of financial position

	As at 31 May		As at 28 February
	2015	2016	2017
	RM'000	*RM'000*	*RM'000*
Current assets	13,516	18,190	23,491
Current liabilities	7,218	9,088	7,065
Net current assets	6,298	9,102	16,426

Selected information extracted from the consolidated statements of cash flows

	Year ended 31 May		Nine months ended	
			29 February	28 February
	2015	2016	2016	2017
	RM'000	*RM'000*	*RM'000* (unaudited)	*RM'000*
Operating cash flows before movements in working capital	5,497	7,084	5,344	1,220
Net cash from/(used in) operating activities	2,788	1,980	1,133	(1,842)*(Note)*
Net cash (used in)/from investing activities	(181)	(222)	34	763
Net cash (used in)/from financing activities	(2,031)	(329)	(433)	6,957
Net increase in cash and cash equivalents	576	1,429	666	5,878
Cash and cash equivalents at beginning of the year/period	1,176	1,752	1,752	3,181
Effects of exchange rate changes on the balances of cash held in foreign currency	–	–	–	12
Cash and cash equivalents at end of the year/period represented by cash on hand and at bank	1,752	3,181	2,418	9,071

Note:

The negative cash flows from operating activities for the nine months ended 28 February 2017 was mainly due to the cash outflows as a result of the Listing expenses incurred and the prepayment of Listing expenses for the nine months ended 28 February 2017.

Cost of sales

Our cost of sales mainly consists of (i) cost of raw materials and trading products; (ii) manufacturing overheads; (iii) direct labour; and (iv) crane hiring costs. The table below sets out the breakdown of our cost of sales by nature during the Track Record Period:

	Year ended 31 May				Nine months ended			
	2015		2016		29 February 2016		28 February 2017	
	RM'000	*%*	*RM'000*	*%*	*RM'000* (unaudited)	*%*	*RM'000*	*%*
Cost of raw materials and trading products	11,926	76.0	18,104	77.5	13,393	78.7	12,546	77.2
Manufacturing overheads								
– Freight charges	1,400	8.9	2,251	9.6	1,619	9.5	1,501	9.2
– Factory rental	278	1.8	376	1.6	271	1.6	320	2.0
– Maintenance costs	313	2.0	675	2.9	424	2.5	481	3.0
– Others	295	1.9	391	1.7	246	1.4	296	1.8
Subtotal	2,286	14.6	3,693	15.8	2,560	15.0	2,598	16.0
Direct labour	1,345	8.6	1,533	6.6	1,049	6.2	1,049	6.4
Crane hiring costs	130	0.8	22	0.1	10	0.1	60	0.4
Total	15,687	100.0	23,352	100.0	17,012	100.0	16,253	100.0

Our cost of sales amounted to approximately RM15.7 million, RM23.4 million, RM17.0 million and RM16.3 million for FY2015, FY2016 and the nine months ended 29 February 2016 and 28 February 2017 respectively.

KEY FINANCIAL RATIOS

	As at/For the year ended 31 May		As at/For the nine months ended 28 February
	2015	2016	2017
Return on total assets *(Note 1)*	23.7%	23.5%	N/A
Return on equity *(Note 2)*	44.3%	42.3%	N/A
Current ratio *(Note 3)*	1.9 times	2.0 times	3.3 times
Gearing ratio *(Note 4)*	10.4%	6.7%	3.5%
Debt to equity ratio *(Notes 5 and 6)*	N/A	N/A	N/A
Interest coverage *(Note 7)*	53.1 times	88.5 times	19.6 times
Gross profit margin *(Note 8)*	32.3%	29.8%	33.7%
Net profit margin *(Note 9)*	16.6%	14.7%	N/A

Notes:

1. Return on total assets is calculated by profit after taxation for the year/period divided by the total assets as at the respective year/period end and multiplied by 100%.

2. Return on equity is calculated by profit after taxation for the year/period divided by the total equity as at the respective year/period end and multiplied by 100%.

3. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.

4. Gearing ratio is calculated based on the total interest-bearing loans divided by the total equity as at the respective year/period end and multiplied by 100%. Total interest-bearing loans include bank borrowings and finance leases.

5. Debt to equity ratio is calculated based on the total interest-bearing loans less cash on hand and at bank divided by the total equity as at the respective year/period end and multiplied by 100%. Total interest-bearing loans include bank borrowings and finance leases.

6. Our Group had no net debt as at 31 May 2015, 31 May 2016 and 28 February 2017.

7. Interest coverage is calculated by the profit before interest and taxation divided by summation of interest expense for each reporting period.

8. Gross profit margin is calculated based on the gross profit divided by the revenue.

9. Net profit margin is calculated based on the profit and total comprehensive income for the year/period divided by the revenue.

For details concerning the financial information of our Group during the Track Record Period, please refer to the section headed "Financial Information" of this prospectus.

DIVIDENDS

During the Track Record Period, the dividends declared by our Group were approximately RM0.9 million, RM2.0 million and nil respectively. For FY2015, our Group declared dividends in the sum of RM500,000, RM125,000 and RM230,000 on 5 February 2015, 27 May 2015, and 3 June 2015, respectively, which were paid on 18 February 2015, 27 May 2015, and 5 June 2015, respectively. For FY2016, our Group declared dividends in the sum of RM700,000 and RM1,300,000 on 21 September 2015 and 18 May 2016, respectively, which were paid on 23 September 2015 and 20 May 2016, respectively. Save and except for the declaration of the above dividends, as at the Latest Practicable Date, we had no intention to pay dividends prior to the Listing.

Our Group may distribute dividends by way of cash or by other means that we consider appropriate. The decision to distribute any dividends would require the approval of our Board and will be at its discretion. Such discretion is subject to any applicable laws and regulations including the Companies Law, and our Articles, which also require the approval of our Shareholders. Any final dividend for a financial year will be subject to Shareholders' approval. The amount of any dividends to be distributed will depend on, among other things, results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors.

Our Board has not adopted any dividend policy currently and does not have any pre-determined dividend ratio. Our Board will consider the relevant factors when determining the dividends to be declared, if any. As the payment of dividends are at the discretion of our Board, there can be no assurance that any particular dividend amount or any dividend at all, will be distributed. Historical dividend payments are not indicative of our payment of any future dividends.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

In December 2015, we leased a parcel of land in Southern Malaysia to establish our New Kulaijaya Plant. We expect that after the completion of our New Kulaijaya Plant, its estimated annual production capacity will be approximately 6,770 m^3 ready-mix concrete consumed per year. After taking into consideration the weather and availability of workers and construction materials, the estimated timetable for the construction of our New Kulaijaya Plant is as follows:

	2017				**2018**			
	Quarter							
Implementation	1	2	3	4	1	2	3	4
Civil construction	—							
Installation of equipment		—	—	—	—	—	—	—
Recruitment and training of staff		—	—	—	—	—	—	—
Commence production by phases			—	—	—	—	—	—

According to the unaudited management accounts of our Group, our unaudited revenue for the three months ended 31 May 2017 was higher than that for the three months ended 31 May 2016, which was mainly due to the increase in revenue generated from trading of junction box accessories and pipes.

According to the Ipsos Report, Malaysia's infrastructure is developing rapidly with its location at a strategic spot under the OBOR initiatives. Nine out of the 14 business-to-business agreements entered into between Malaysia and China focused on construction, infrastructure, which also require ancillary construction and development infrastructure, such as electricity and telecommunication network distribution whereby precast concrete junction boxes have become more prevalent, replacing traditional cast-in-situ concrete construction practice. Furthermore, our Directors take the view that the Malaysia-Singapore High Speed Rail project, which will connect Kuala Lumpur and Johor Bahru with Singapore, will fuel significant construction projects in Southern Malaysia. We wish to tap into these ancillary construction and infrastructure projects by provision of our precast concrete junction boxes. However, our Group had not been awarded any projects related to the OBOR initiatives up to the Latest Practicable Date including the aforementioned nine business-to-business agreements which are related to infrastructure that require ancillary construction and development infrastructure.

On 23 December 2016, our Group entered into a letter of award (approximately RM21.4 million), which is legally-binding, with Telekom (a leading telecommunication company in Malaysia with a history tracing back to 1946) for the supply of precast concrete telecommunication junction boxes and junction box covers for a period between 1 January 2017 to 31 December 2019. We have already signed the formal agreement on 24 January 2017 pending the return of agreement duly signed by Telekom. To be best knowledge and belief of our Directors after making reasonable enquiries, it is estimated that Telekom will sign and return the agreement in late July 2017. Notwithstanding that, the letter of award had commenced effectively and up to the date hereof, Telekom has placed purchase orders for precast concrete junction boxes with a total contract sum of approximately RM94,000 up to 7 June 2017, of which the precast concrete junction boxes of a total sale price of approximately RM34,000 had been delivered to Telekom up to 31 May 2017. The agreement contemplated in the letter of award would be worth approximately RM21.4 million. Our Group's management expects that the forecast revenue under the letter of award with Telekom is approximately RM7.6 million, RM8.7 million and RM5.1 million for each of the three years ending 31 May 2018, 2019 and 2020. Our Directors, based on their best knowledge and belief after making an enquiry with Telekom, expect that a substantial portion of the precast concrete junction boxes will be delivered to Telekom's projects in each of Southern Malaysia and Central Malaysia.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save for expenses incurred in relation to the Listing as disclosed in the paragraph headed "Listing expenses and reasons for listing in Hong Kong" in this section, we did not have any significant non-recurrent items in our consolidated statement of profit or loss and other comprehensive income. For details, please refer to the section headed "Risk Factors – Risks relating to our business – Our revenue is mainly derived from the manufacturing and sale of precast concrete junction boxes to our customers for infrastructure upgrades and expansion works and for construction projects, which are non-recurrent in nature and there is no guarantee that our customers will place new business purchase orders" of this prospectus.

Given the above, our Directors confirm that there has not been any material adverse changes in our Group's financial and trading position and prospects subsequent to the Track Record Period and up to the date of this prospectus.

Our Group is expected to record a net loss for the year ended 31 May 2017 due to a non-recurring Listing expenses of approximately RM11.4 million (equivalent to approximately HK$20.8 million). Save for the Listing expenses to be recognised for the year ended 31 May 2017, our Directors confirm that (i) there has been no material adverse change in the general economic and market condition, legal, industry and operating environment in which our Group operates that materially and adversely affected our Group's financial or operating position or prospects of our Group since 28 February 2017, being the date to which the latest financial information of our Group was made up and recorded in the Accountants' Report set out in Appendix I to this prospectus, and up to the date of this prospectus, and (ii) no event has occurred since 28 February 2017 that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Based on the Offer Price of HK$0.28 per Offer Share, being the mid-point of the indicative Offer Price range of HK$0.25 per Offer Share to HK$0.31 per Offer Share, we will receive gross proceeds of approximately HK$50.4 million. The net proceeds from the Share Offer are estimated to be approximately HK$29.6 million, after deducting the underwriting commission and other estimated Listing expenses paid and payable by our Company in connection thereto. We intend to apply such net proceeds from the Share Offer as follows:

Approximate amount of net proceeds	Intended usage	Utilised by year/period ending
HK$16.9 million, or 57.2%	Expansion of production capacity through expanding our Existing Selangor Plant (approximately HK$7.0 million), completing the establishment of our New Kulaijaya Plant (approximately HK$7.3 million) and recruiting new staff (approximately HK$2.6 million)	30 November 2019
HK$8.4 million, or 28.3%	Acquisition of a parcel of land in Southern Malaysia	30 November 2019
HK$2.7 million, or 9.2%	Expansion of our business vertically in the supply chain of the precast concrete junction box industry through mergers and acquisitions	30 November 2018
HK$0.8 million, or 2.5%	Expansion of our sales and marketing team	30 November 2019
HK$0.8 million, or 2.8%	General working capital	30 November 2017

For details of our future plans and use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus.

SHARE OFFER STATISTICS

	Based on the minimum Offer Price of HK$0.25 per Share	Based on the maximum Offer Price of HK$0.31 per Share
Market capitalisation *(Note 1)*	HK$155.0 million	HK$192.2 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group attributed to owners of our Company per Share *(Note 2)*	RM0.06	RM0.07

Notes:

1. The calculation of our market capitalisation is based on 620,000,000 Shares which will be in issue immediately following the completion of the Capitalisation Issue and the Share Offer, but takes no account of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" of this prospectus.

2. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributed to owners of our Company per Share has been prepared with reference to certain estimation and adjustment, and has not been adjusted to show the effect of the Pre-IPO Investment. Please refer to Appendix IIA to this prospectus for further details.

RISK FACTORS

We believe that there are certain risks involved in our business and operations. They can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to conducting business in Malaysia; (iv) risks relating to the Share Offer and our Shares; and (v) risks relating to statements made in this prospectus. We believe that our major risks include:

- Fluctuation in the prices of our major raw materials may have adverse impacts on our financial results;
- We currently do not own the land on which we carry out our manufacturing, and we may not be able to renew our leases;
- Our revenue is mainly derived from manufacturing and sale of precast concrete junction boxes to our customers for infrastructure upgrades and expansion work for construction projects, which are non-recurrent in nature and there is no guarantee that our customers will place new business purchase orders;
- Our business needs various registrations with or approvals from telecommunication companies and TNB to operate and failure to renew such registrations or approvals could adversely affect our business;
- Our cash flow position may deteriorate owing to a mismatch between the time receipt of payments from our customers and payments to our suppliers if we are unable to manage our cash flow mismatch properly.

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" of this prospectus. Prospective investors should read the section headed "Risk Factors" in its entirety before making any investment decision in the Listing.

LISTING EXPENSES AND REASONS FOR LISTING IN HONG KONG

Our Group is applying for listing in Hong Kong because it gives us long term advantage due to the favourable environment in Hong Kong, including its well established legal system, high level of internationalisation, freedom of flow of capital and information, and its maturity in the global financial market. Our Directors believe that the access to international funding will underpin our Group's future sustainable growth by providing us with diversified means to fund our future expansion plans. On the contrary, the sole reliance on organic growth funding via self-operation will impose constraints on the overall growth of our Group. The Listing would help raise our brand awareness, publicity, information transparency that builds up trust and confidence for potential and existing customers. In addition, our Directors also believe that customers may prefer doing business with a listed company given its reputation, listing status, public financial disclosures and general regulatory supervision by relevant Hong Kong regulatory bodies. Despite our Group has no nexus to Hong Kong or the PRC market and the high Listing expenses over the gross proceeds to be raised, our Directors believe that listing in Hong Kong allows us to higher liquidity and greater exposure to a wider analyst and investment community. Furthermore, given that Hong Kong has a stable currency pegged to USD, the Listing will enable our Group to have access to stable capital market for future fund raising should such need arise. Owing to the aforementioned reasons, our Directors are of the view that the Listing would enable our Group to strengthen our market position in the precast concrete telecommunication and electrical junction box industry in Malaysia.

For FY2015 and FY2016, we did not incur any Listing expenses. For the nine months ended 28 February 2017, we incurred Listing expenses of approximately RM4.3 million (equivalent to approximately HK$7.8 million). We expect to incur total Listing expenses of approximately RM11.4 million (equivalent to approximately HK$20.8 million) of which our Group (i) has recognised approximately RM4.3 million (equivalent to approximately HK$7.8 million) in the profit or loss for the nine months ended 28 February 2017; (ii) expects to recognise approximately RM1.7 million (equivalent to approximately HK$3.1 million) in the profit or loss for the three months ended 31 May 2017; (iii) expects to recognise approximately RM1.5 million (equivalent to approximately HK$2.7 million) in the profit or loss for the year ending 31 May 2018; and (iv) expects to recognise approximately RM3.9 million (equivalent to approximately HK$7.2 million) as a deduction in equity directly for the year ending 31 May 2018. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and result of operations for the nine months ended 28 February 2017 and the year ended 31 May 2017 have been, and the year ending 31 May 2018 will be, significantly and adversely affected by the expenses in relation to the Listing.

Prospective investors are specifically warned that given the aforesaid expenses, our Group's consolidated statements of profit or loss and other comprehensive income for the year ended 31 May 2017 may record a net loss.

LOSS ESTIMATE FOR THE YEAR ENDED 31 MAY 2017

Estimated unaudited consolidated loss attributable to owners of our Company *(Note 1)*	not more than RM1.2 million
Unaudited pro forma estimated loss per Share *(Note 2)*	not more than RM0.2 cents

Notes:

(1) The bases on which the above loss estimate for the year ended 31 May 2017 has been prepared are summarised in Appendix IIB to this prospectus. Our Directors have prepared the estimated consolidated loss attributable to owners of our Company for the year ended 31 May 2017 based on the audited consolidated results of our Group for the nine months ended 28 February 2017 and the unaudited consolidated results of our Group based on the management accounts of our Group for the three months ended 31 May 2017.

(2) The calculation of the unaudited pro forma estimated loss per Share is based on the estimated consolidated results for the year ended 31 May 2017 attributable to owners of our Company, assuming that a total of 620,000,000 Shares had been in issued during the entire year. The calculation of the estimated loss per Share does not take into account of any Shares which may be allotted and issued upon the exercise of option that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to our Company's general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.

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

"Accountants' Report"	the accountants' report of our Group prepared by the Reporting Accountants set out in Appendix I to this prospectus
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), individually or collectively, as the context may require
"Articles of Association" or "Articles"	the articles of association of our Company adopted on 27 June 2017 and with effect from the Listing, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Audit Committee"	the audit committee of our Board
"Board" or "Board of Directors"	the board of Directors
"Business Day(s)" or "business day(s)"	a day on which banks in Hong Kong are generally open for business to the public and which is not (i) a Saturday, Sunday or public holiday in Hong Kong or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 439,990,000 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed "Statutory and General Information – A. Further information about our Company and our subsidiaries – 3. Written resolutions of the Shareholders" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Celcom"	Celcom Axiata Berhad, a telecommunication company in Malaysia
"Central Malaysia"	Selangor Darul Ehsan, federal territories of Kuala Lumpur and Putrajaya of West Malaysia
"close associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, modified or supplemented from time to time
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) of Hong Kong, as amended, modified or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) of Hong Kong, as amended, modified or supplemented from time to time
"Company" or "our Company"	SK Target Group Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 28 October 2016
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and in the case of our Company, refer to Mr. Loh and Merchant World
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
"Deed of Indemnity"	the deed of indemnity dated 27 June 2017 entered into between each of the Controlling Shareholders and our Company (for itself and as trustee for its subsidiaries), the particulars of which are set out in the paragraph headed "E. Other information – 1. Tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 27 June 2017 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), the particulars of which are set out in the paragraph headed "Relationship with the Controlling Shareholders – Non-competition undertakings" of this prospectus
"Director(s)"	the director(s) of our Company
"Existing Selangor Plant"	our existing production plant located in Lot 1894-A JLN KPB 5, Kawasan Perindustrian Balakong, 43300 Seri Kembangan, Selangor
"FY2014"	the financial year ended 31 May 2014
"FY2015"	the financial year ended 31 May 2015
"FY2016"	the financial year ended 31 May 2016
"Gallant Empire"	Gallant Empire Limited, a company incorporated in the BVI with limited liability on 5 July 2016 which is a direct wholly-owned subsidiary of our Company
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures

"Greater Elite"	Greater Elite Holdings Limited, a company incorporated in the BVI with limited liability on 21 July 2016, which is wholly-owned by Mr. Law and through which Mr. Law invested in our Group
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider
"Group", "our Group", "we", "us" or "our"	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries
"**HK eIPO White Form**"	the application for Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at www.hkeipo.hk
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK$" or "Hong Kong dollar(s)" or "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Share Registrar"	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
"IASB"	International Accounting Standards Board
"IFRSs"	International Financial Reporting Standards issued by IASB
"Independent Third Party(ies)"	individual(s) or company(ies) who is (or are) not a connected person (within the meaning of the GEM Listing Rules) of our Company, any of its subsidiaries or any of their respective associates
"Internal Control Consultant"	SHINEWING Risk Services Limited, the internal control consultant of our Company

"Ipsos"	Ipsos Limited, an independent industry consultant
"Ipsos Report"	an independent market research report in respect of the precast concrete junction box industry in Malaysia, prepared by Ipsos which was commissioned by our Company
"IRB"	the Inland Revenue Board of Malaysia
"ISA"	International Standards on Auditing issued by the International Auditing and Assurance Standards Board
"Joint Bookrunners" or "Joint Lead Managers"	Ample Orient Capital Limited, a corporation licensed under the SFO and permitted to conduct type 1 (dealing in securities) regulated activities, ChaoShang Securities Limited, a corporation licensed under the SFO and permitted to conduct type 1 (dealing in securities) and type 2 (dealing in future contracts) regulated activities and Supreme China Securities Limited, a corporation licensed under the SFO and permitted to conduct type 1 (dealing in securities) regulated activities
"kg"	kilogramme
"Latest Practicable Date"	26 June 2017, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"laws"	include all laws, rules, regulations, guidelines, opinions (whether formally published or not), notices, circulars, orders, judgements, decrees or rulings of any court, government, governmental or regulatory authority whether or not ejusdem generis with any of the foregoing (including, without limitation, the Stock Exchange) and "law" shall be construed accordingly
"Listing"	the listing of the Shares on GEM
"Listing Date"	the date on which dealings in the Shares on GEM first commence, which is expected to be on 19 July 2017
"Listing Division"	the listing division of the Stock Exchange

"Loyal Earn"	Loyal Earn Limited, a company incorporated in Hong Kong on 1 June 2015 with limited liability and an indirect wholly-owned subsidiary of our Company
"m^2"	square metre
"m^3"	cubic metre
"Main Board"	the Main Board of the Stock Exchange
"Malaysian Legal Advisers"	David Lai & Tan, the legal advisers to our Company as to Malaysian law
"Maxis"	Maxis Berhad, a communications service provider in Malaysia, the shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad (stock code: 6012)
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company, adopted on 27 June 2017 and with effect from the Listing, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"Merchant World"	Merchant World Investments Limited, a company incorporated in the BVI on 28 June 2016 with limited liability, a Controlling Shareholder and wholly-owned by Mr. Loh
"Mr. Chew"	Mr. Chew Kok Jye, husband of Ms. Loh
"Mr. Chu"	Mr. Chu Kin Ming, our independent non-executive Director
"Mr. Law"	Mr. Law Fung Yuen Paul, a pre-IPO investor investing in our Group through Greater Elite
"Mr. Lee"	Mr. Lee, Alexander Patrick, our independent non-executive Director
"Mr. Loh"	Mr. Loh Swee Keong, one of the founders of Target Precast, an executive Director, a Controlling Shareholder and the brother of Ms. Loh
"Mr. Ng"	Mr. Ng Thuan Leong, a director of SK Target Holdings
"Mr. Tan"	Mr. Tan Cheng Siong, an executive Director and the Business Development Manager

"Mr. Yau"	Mr. Yau Ka Hei, our independent non-executive Director
"Ms. Loh"	Ms. Loh Lily, sister of Mr. Loh
"Ms. Woon"	Ms. Woon Sow Sum, wife of Mr. Loh
"New Kulaijaya Plant"	our newly established plant in Plot A of land held GM 865, Lot 2945 in the Mukim Senai District, Kulaijaya, State of Johor, Malaysia
"Nomination Committee"	the nomination committee of our Board
"Offer Price"	the final price per Offer Share (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee) of not more than HK$0.31 per Offer Share and not less than HK$0.25 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, to be determined as further described in "Structure and Conditions of the Share Offer" in this Prospectus
"Offer Shares"	collectively, the Public Offer Shares and the Placing Shares
"OSHA 1994"	Occupational Health and Safety Act 1994
"Peninsular Malaysia"	also known as West Malaysia and is the part of Malaysia which lies on the Malay Peninsula and surrounding islands, and consists of 11 states and two federal territories covering Central Malaysia, Southern Malaysia, Northern Region (Kedah, Penang, Perak and Perlis) and East Coast Region (Kelantan, Pahang and Terengganu)
"Placing"	the conditional placing by the Placing Underwriters on behalf of our Company for subscription by professional, institutional and other investors of the Placing Shares for cash at the Offer Price, as further described under the section headed "Structure and Conditions of the Share Offer" of this prospectus
"Placing Shares"	the 162,000,000 Shares being initially offered by our Company for subscription under the Placing subject to reallocation, as described under the section headed "Structure and Conditions of the Share Offer" of this prospectus

"Placing Underwriters"	the underwriters that are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
"Placing Underwriting Agreement"	the underwriting agreement expected to be entered into on or about Wednesday, 12 July 2017 by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Placing Underwriters relating to the Placing
"PRC" or "China"	the People's Republic of China, for the purpose of this prospectus, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
"Pre-IPO Investment"	the pre-IPO investment in our Group as set out in the section headed "History and Development – Pre-IPO Investment" of this prospectus
"Price Determination Agreement"	the agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on or around the Price Determination Date to fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Wednesday, 12 July 2017, on which the Offer Price is fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, on which the Offer Price is fixed for the purpose of the Public Offer
"Public Offer"	the offer of the Public Offer Shares for subscription by members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, on and subject to the terms and conditions described in this prospectus and the Application Forms
"Public Offer Shares"	the 18,000,000 Shares (subject to reallocation) initially offered by our Company for subscription in the Public Offer, as described under the section headed "Structure and Conditions of the Share Offer" of this prospectus
"Public Offer Underwriters"	the underwriters of the Public Offer, whose names are set out under the section headed "Underwriting – Public Offer Underwriters" of this prospectus

"Public Offer Underwriting Agreement"	the underwriting agreement dated 5 July 2017 entered into among our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriters relating to the Public Offer
"QIB"	a qualified institution buyer (within the meaning of Rule 144A)
"Ready-mix Concrete Supplier"	refers to Buhmi Precast Sdn Bhd, a private limited liability company incorporated in Malaysia
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed "History and Development" of this prospectus
"Reporting Accountants"	Deloitte Touche Tohmatsu
"RHB Capital" or "Sole Sponsor"	RHB Capital Hong Kong Limited, a corporation licensed under the SFO and permitted to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being the sole sponsor of the Listing
"RM" or "Malaysian dollar(s)"	Malaysian ringgit, the lawful currency of Malaysia
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Share Offer"	the Public Offer and the Placing

"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 27 June 2017, the principal terms of which are summarised under the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus
"Shareholder(s)"	shareholder(s) of our Company from time to time
"SK Target Holdings"	SK Target Holdings Sdn. Bhd. (company number 1199544-P), a private company limited by shares incorporated in Malaysia on 24 August 2016 and an indirect wholly-owned subsidiary of our Company
"Southern Malaysia"	refers Johor Darul Ta'zim, Malacca and Negeri Sembilan Darul Khusus of West Malaysia
"sq. ft."	square feet
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the GEM Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Target C&L"	Target Crane & Logistic Sdn. Bhd. (982219-D), previously known as Target Crane & Machines Sdn. Bhd., a private company limited by shares incorporated in Malaysia on 12 March 2012, and an indirect wholly-owned subsidiary of our Company
"Target Precast"	Target Precast Industries Sdn. Bhd. (258751-X), previously known as Target Fortune Sdn. Bhd., a private company limited by shares incorporated in Malaysia on 1 March 1993, and an indirect wholly-owned subsidiary of our Company
"Target S&M"	Target Sales & Marketing Sdn. Bhd. (504868-P), previously known as Metro Stellar (M) Sdn. Bhd., a private company limited by shares incorporated in Malaysia on 8 February 2000, and an indirect wholly-owned subsidiary of our Company

"Telekom"	Telekom Malaysia, a company incorporated in Malaysia which offers a range of communication services and solutions in broadband, data and fixed-line
"TNB"	Tenaga Nasional Bhd., the only electric utility company in Malaysia
"Track Record Period"	comprises FY2015, FY2016 and the nine months ended 28 February 2017
"Underwriters"	Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"**White** Application Form(s)"	the application form(s) for use by the public who require(s) such Offer Shares to be issued in the applicant's or applicants' own name(s)
"**Yellow** Application Form(s)"	the application form(s) for use by the public who require(s) such Offer Shares to be deposited directly into CCASS
"%"	per cent.

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

Certain figures used in this document that are expressed in HK$ are calculated based on the conversion rate as at the Latest Practicable Date of RM1.00 = HK$1.82.

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

"BS EN 12390-3:2009"	British standard published under the authority of the Standards Policy and Strategy Committee on the testing of hardened concrete
"crane with gantry foundation"	a type of crane built on top of a gantry
"cast-in-situ"	a construction technique where components are carried out at the construction site using raw materials
"curing"	the process which controls the humidity and the temperature of the concrete
"demoulding"	removal of the precast concrete junction box from the mould
"DEL"	Direct Exchange Line, the fixed telephone lines connecting the subscriber's terminal equipment to a public switched telephone network which contains a dedicated port in the telephone exchange equipment. This includes connections such as analog fixed telephone lines, fixed wireless connections, public payphones, and voice over internet protocol fixed line subscriptions
"forklifts"	a truck for lifting and moving objects over a short distance
"galvanised iron" or "GI"	a layer of zinc coating which helps the metal to resist corrosion
"GDP"	gross domestic product
"GST"	goods and services tax, a value-added tax levied on most goods and services sold for domestic consumption in Malaysia
"high-density polyethylene" or "HDPE"	a high density form of polyethylene which can be used for manufacturing rigid corrosion-resistant pipes
"IBS"	Industrialised Building System, a technique of construction whereby components are manufactured in a controlled environment, either at site or off site, placed and assembled into construction works

"ISO"	International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 6892-1:2009"	the international standard on the tensile testing
"ISO 9001:2008"	an internationally recognised standard for a quality management system
"junction box"	also known as manhole, junction boxes are a type enclosure that is used to conceal cables from sight and to deter tampering
"kV"	kilovolt
"MS 1293: Part 1:1992"	Malaysian standard on the specification for precast reinforced concrete box approved by the Building and Civil Engineering Industry Standards Committee and endorsed by the Council of SIRIM
"OBOR"	One Belt, One Road
"precast concrete junction box industry"	the industry in relation to the manufacturing of both precast concrete telecommunication junction box and precast concrete electrical junction box
"QMS"	quality management system
"ready-mix concrete"	a type of concrete that is specially manufactured according to a set of recipe for delivery to a work site in a freshly mixed and plastic or unhardened state
"SIRIM"	Scientific and Industrial Research Institute of Malaysia, an industrial research and technology organisation in Malaysia and wholly-owned by the Ministry of Finance Incorporated
"SME"	small and medium-sized enterprises
"unplasticised polyvinyl chloride" or "uPVC"	a rigid form of polyvinyl chloride which can be used for manufacturing pipes

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, as such they are by their nature subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals;
- the nature of, and potential for, future development of our business;
- various business opportunities that we may pursue;
- changes in competitive conditions and our ability to compete under these conditions;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory qualifications required to operate our business;
- future developments, trends and conditions in the industry and markets in which we operate;
- our future debt levels and capital needs;
- our financial conditions; and
- our dividend.

The words “aim”, “anticipate”, “believe”, “can”, “could”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative forms of these words with similar expressions, as they relate to us, are intended to identify a number of these forward looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in the section headed “Risk Factors” of this prospectus. One or more of these risks or uncertainties may materialise.

Subject to the requirements of the GEM Listing Rules, our Company does not have any obligation and does not undertake to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statement set out in this section.

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

You should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision in relation to our Company. The business, financial position, or results of business operation of our Group can be materially and adversely affected by any of these risks. The market price of the Shares could fall significantly and you may lose all or part of your investment.

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

RISKS RELATING TO OUR BUSINESS

Fluctuation in the prices of our major raw materials may have adverse impacts on our financial results

Certain raw materials used in our production, such as ready-mix concrete and steel bars are subject to price volatility caused by external conditions, including commodity price fluctuations and changes in governmental policies. For FY2015, FY2016 and the nine months ended 28 February 2017, our cost of raw materials and trading products amounted to approximately RM11.9 million, RM18.1 million and RM12.5 million respectively, which accounted for approximately 76.0%, 77.5% and 77.2% of our total costs of sales, respectively.

According to the Ipsos Report, prices of concrete had been steadily increasing in the past five years. The local concrete market is expected to increase with stable demand for local concrete driven by the construction sector.

Generally, we prepare quotations for our customers to be included in their tender documents when they bid for infrastructure upgrade or expansion works or construction projects. Our quotations are based on our estimated project costs (which generally include labour costs and raw material costs) plus a mark-up margin. However, the related actual material costs cannot be ascertained accurately when we prepare the quotations. We cannot assure you that we will be able to effectively manage the risk of price fluctuation of our raw materials at all times. Therefore, if there is a material increase in the prices of the raw materials we require for our production, in particular the ready-mix concrete, junction box covers and steel bars, we may not be able to shift such corresponding price increase to our customers in a timely manner, and this may have a material and adverse effect on our financial results. We cannot assure you that our key suppliers will continue to provide us with raw materials at reasonable price, or that our raw materials prices will remain stable in the future. In addition, we may not be able to transfer some or all of the increase in costs of our raw materials to our customers. As a result, any increase or material fluctuation in the prices of our raw materials could have a material adverse effect on our business, financial condition and results of operations.

We currently do not own the land on which we carry out our manufacturing, and we may not be able to renew our leases

As at the Latest Practicable Date, both our Existing Selangor Plant and New Kulaijaya Plant were leased from Independent Third Parties, details of which are disclosed in the section headed "Business – Properties" of this prospectus.

In respect of our Existing Selangor Plant, we managed to renew the lease for a term of two years up to 31 January 2019 with an option to renew for a further two years at a rental to be mutually agreed.

With respect to our New Kulaijaya Plant, we leased this piece of land in the state of Johor for a term of three years up to 30 November 2018 with a right to renew for a further term of three years. We had spent almost one year executing the preparation work for setting up our New Kulaijaya Plant after commencement of the lease. As at the Latest Practicable Date, we completed the civil construction works including land levelling, setting up a cabin office, completion of the application, installation and connection of electricity supply and water supply for our New Kulaijaya Plant.

If we cannot renew the leases in respect of our Existing Selangor Plant and/or New Kulaijaya Plant, we will have to relocate our production plants to a new area and carry out all preparatory works and apply for all requisite licences again, which will cause material disruption to our production process. There is no assurance that we will successfully renew the leases in respect of each of our Existing Selangor Plant or New Kulaijaya Plant on commercially acceptable terms, or at all. Furthermore, there is also no assurance that these leases will not be terminated by the respective landlords before their expiration. Termination of our leases may occur beyond our control, such as breaches of agreements by the landlord(s) or invalidation of the leases due to the landlords' lack of title to lease the properties. If it happens, we will need to relocate our production plants to other areas and incur additional costs due to relocation.

Based on our long standing relationship with the landlord of our Existing Selangor Plant and our good relationship with the landlord of our New Kulaijaya Plant, our Directors are confident that the landlords will continue to renew the respective leases with us upon expiration.

In the unlikely event that the respective leases in respect of our Existing Selangor Plant or New Kulaijaya Plant are not renewed, our Group will have to implement a contingency relocation plan, which will inevitably cause disruption to our business and operation. For details of our contingency plan, please refer to the section headed "Business – Our Production Facilities – Contingent Relocation Plan" of this prospectus.

Our revenue is mainly derived from manufacturing and sale of precast concrete junction boxes to our customers for infrastructure upgrades and expansion works and for construction projects, which are non-recurrent in nature and there is no guarantee that our customers will place new business purchase orders

Our Group is principally engaged in the manufacturing and selling of precast concrete junction boxes that are used for telecommunication and electrical infrastructures in construction projects in Malaysia.

Save for the letter of award with Telekom, the majority of our customers are infrastructure companies, construction companies, general contractors, mechanical or electrical contractors or sub-contractors and traders of telecommunication or electrical materials in Malaysia. Our products are supplied to these contractors on a project-by-project and non-recurring basis, and we do not have any long-term commitment nor have we entered into any long-term agreement with them. After placing a purchase order with us for a particular project, if our Group is unable to secure new purchase orders from our customers for new projects, our revenue and financial performance may be adversely affected. We cannot assure you that our customers will continue to do business with us at the same level or at all.

Hence, our future growth and expansion depends on our ability to continue securing purchase orders from our potential customers and retain our current customers. We cannot guarantee that our existing customers will continue to provide us with new purchase orders. If any of the major customers substantially reduces the volume of its orders or ceases to conduct business with us, our business operation and financial performance would be materially and adversely affected. There is no assurance that (i) our Group will be able to secure new purchase orders to make up for such loss of sales; or (ii) even if we are able to secure other purchase orders, that they would be on commercially comparable terms.

Our business needs various registrations with or approvals from telecommunication companies and TNB to operate and failure to renew such registrations or approvals could adversely affect our business

Our precast concrete electrical junction boxes and precast concrete telecommunication junction boxes are supplied to infrastructure companies, construction companies, general contractors, mechanical or electrical contractors or sub-contractors and traders of telecommunication or electrical materials in Malaysia who use our products for installation at construction sites and the building up of the telecommunication infrastructures therein. To be eligible to supply precast concrete junction boxes to these contractors who participate in utilities infrastructure projects or construction projects involving notable telecommunication companies or TNB, the only electric utility company in Malaysia, our Group had to become a registered supplier or approved supplier of these telecommunication companies and TNB (the only electric utility company in Malaysia.

In order to become a registered supplier or approved supplier for these telecommunication companies and the electric utility company, we are required to meet their selection requirements and provide them with the necessary documents. These registrations or approvals are granted upon our satisfactory compliance with, among others, the applicable criteria set by the relevant telecommunication and electric utility company.

In the past, we had not encountered any difficulties in obtaining and/or maintaining our registrations or approvals. However, we cannot assure you that all these required registrations or approvals can be maintained or obtained in a timely manner or at all. Any changes to the existing policies made by these telecommunication or authorities or TNB to which we provide our products, may result in our failure to obtain such relevant registrations or approval. Thus, there is no assurance that our future registrations or approvals will not be subject to variations, modifications and impositions of additional conditions. Should we be de-registered as a supplier for the aforementioned telecommunication companies or TNB as a supplier, we will not be qualified to supply our products to projects without such registrations or approvals.

Our cash flow position may deteriorate owing to a mismatch between the time receipt of payments from our customers and payments to our suppliers if we are unable to manage our cash flow mismatch properly

As a manufacturer of precast concrete junction boxes, we have to purchase raw materials from our suppliers from time to time based on our procurement policy. We rely on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow is dependent on the prompt settlement of our payments. As at 31 May 2015, 31 May 2016 and 28 February 2017, we recorded trade receivables amounting to approximately RM8.4 million, RM11.5 million and RM10.2 million, respectively, and the number of our average trade receivables turnover days was approximately 107 days, 109 days and 121 days, respectively, which has been increasing throughout the Track Record Period and exceeded the credit period stipulated in our service agreements with our customers with average trade payable turnover days of approximately 96 days, 74 days and 72 days, respectively. As at 31 May 2015, 31 May 2016 and 28 February 2017, our Group's trade receivables of approximately RM4.3 million, RM6.6 million and RM3.7 million were past due but not impaired, respectively, and approximately 67.2% of the trade receivables as at 28 February 2017 had subsequently been settled as at the Latest Practicable Date. We generally grant our customers credit terms within the range of 30 to 120 days, while the credit period granted by our suppliers generally ranges from 30 days to 75 days. As at 31 May 2015, 31 May 2016 and 28 February 2017, our trade payables amounted to approximately RM4.7 million, RM4.8 million and RM3.8 million, respectively, accounting for approximately 65.3%, 52.9% and 53.9% of our total current liabilities, respectively. For FY2015, FY2016 and the nine months ended 28 February 2017, our Group had operating cash inflow before movements in working capital of approximately RM5.5 million, RM7.1 million and RM1.2 million, respectively. It is possible that we may experience a cash flow deficit if the settlement schedule of our customers falls far behind from our payment schedule to our suppliers.

We cannot assure you that our customers will pay us on time and that they will be able to fulfil their payment obligations. Our customers' sizeable operation and long bill settlement procedures may lead to a longer settlement period of accounts receivable which may in turn adversely affect our liquidity position and financial condition. Should we experience any unexpected delay or difficulty in collecting trade receivables from our customers, our operating results and financial condition may be adversely affected.

If we fail to manage the aforesaid cash flow mismatches, or cannot function properly or at all, or if the cash flow mismatch is further aggravated, we may have to resort to reserve further funds from our internal resources and/or obtain banking facilities to meet our payment obligations, and our financial condition may be materially and adversely affected as a result.

Our Group relies on the use of machineries and equipment to carrying out the manufacturing of precast concrete junction boxes and any break-down of such machineries and equipment will disrupt our operation

The manufacturing of precast concrete junction boxes requires the use of a wide range of machineries and equipment such as gantry crane with foundation, gantry crane, moulds and forklift. Accordingly, the number of junction boxes that can be produced by our Group at any given time, is limited by the availability of our resources such as the number of moulds and the functionalities of our machineries and equipment to carry out the production process. On the other hand, if there are any unexpected breakdowns of our machineries and equipment during the production process, we may face difficulties in sourcing replacements or repairing the machineries and equipment in time. Our work progress may have to be delayed, whereby we may have to compensate our customers according to the terms of the contract between our customers and us.

On the other hand, if there are any failures or breakdowns of our machineries and equipment due to any inferior or insufficient repair and maintenance works, our operation and business may be adversely affected.

We may have difficulties in employing production workers

The precast concrete junction box industry is considered to be labour-intensive in nature in Malaysia as it involves a series of labour-intensive processes including, the making of reinforcement cages, pouring of concrete and demoulding of the precast concrete junction boxes. Although the advancement in industrial automation technology has eased the need for manual labour in many manufacturing industries, there is still a need for manual labour in many processes in the production of precast concrete junction boxes.

According to the Ipsos Report, labour shortage in Malaysia's manufacturing sector is largely due to an ageing workforce, migration of young workers to urban areas, and a decline in the number of persons entering into the construction and manufacturing sectors.

As such, we have to maintain sufficient and regular production manpower to avoid any interruption to our business operation. However, the attrition rate involving relatively low-skilled production workers in Malaysia is considered to be relatively high particularly among local workers. As such, market players in the precast concrete junction box industry in Malaysia face an uphill task in recruiting relatively low-skilled workers. As at the Latest Practicable Date, all our production workers are foreign workers.

The 'Minimum Wage Policy' implemented in Malaysia with effect from 1 January 2013 is another development that continues to exert pressure on the cost of employing workers. The minimum wage is a provision in the National Wages Consultative Council Act 2011. The minimum wage for private sector employees has been set at RM900 per month or RM4.33 per hour for employees in Peninsular Malaysia and at RM800 per month or RM3.85 per hour for employees in Federal Territory of Labuan, Sabah and Sarawak. This policy is likely to increase the cost of operations for market players, like our Group, in the local precast concrete junction box industry. This supply condition is expected to impact the market negatively in the future.

Though we have not experienced any significant shortage in production workers in the past, there is no assurance that we will not experience any shortage in production workers for our production or that the costs of employing workers in Malaysia will not continue to increase in the future. Furthermore, if the cost of employing workers continues to increase in Malaysia, our production costs may eventually increase and we may not be able to shift these extra costs to our customers due to competitive pricing pressures from our competitors. If we fail to retain our existing workers and/or recruit sufficient workers in a timely manner, we may not be able to accommodate any increase in demand for our products or smoothly implement our expansion plans. Hence, our business operations and financial conditions would be materially and adversely affected.

Our expansion plan may not be successful

For FY2015, FY2016 and the nine months ended 28 February 2017, the average utilisation rate of our Existing Selangor Plant was approximately 57.9%, 84.8% and 83.1%, respectively. It is our strategic plan to expand our Existing Selangor Plant and set up our New Kulaijaya Plant in Southern Malaysia, acquire additional units of machineries and equipment, and recruit additional production workers in order to meet the increasing demand for precast concrete junction boxes in the Malaysian market and to capture future growth opportunities in the telecommunication and electrical industries and the construction industry in Malaysia. Upon completing the expansion of our Existing Selangor Plant and our New Kulaijaya Plant, our estimated production capacity will increase by no more than approximately 50.0%. The success of our expansion plan hinges on our ability to capture additional customer demands. However, there is no assurance that we will be able to maintain or establish relationships with our existing or prospective customers or secure new purchase orders to utilise our increased production capacity. There are also other uncertainties and risks, such as delays, cost overrun, shortage of labour and shortage of key materials, which are beyond our control and would increase the costs of implementing our expansion plan. We may even have problems of under-utilisation if demand for our products does not increase at the same rate. In the event that the above-mentioned uncertainties and risks happen or we are unable to achieve a high utilisation of our production capacity as planned, there could be a material adverse effect on our performance and results of operation.

On the other hand, the future capital expenditure of our Group for the purchase of machineries and equipment may result in an increase in our depreciation expenses. Our Group currently plans to use approximately by RM7.7 million (equivalent to approximately HK$13.9 million) of the net proceeds from the Share Offer (based on the mid-point of the indicative Offer Price range) to purchase additional machineries and equipment in order to expand our production capacity. For more details, please see the section headed "Future Plans and Use of Proceeds" of this prospectus.

Such additional machineries or equipment may increase our depreciation expenses, and may therefore adversely affect our Group's future results of operations and financial expense performance. Upon completion of our expansion plan, the expected increase in depreciation in respect of the upgrade and purchase of plant and machineries would be approximately RM788,000 per annum. Furthermore, any unexpected requirement for the acquisition of additional machineries or equipment would have a negative impact on the cash level of our Group and the additional depreciation expenses may adversely affect our Group's financial performance in the future.

Any unanticipated or prolonged interruption of our production facilities at our Existing Selangor Plant would materially and adversely affect our business and results of operation

During the Track Record Period, all our precast concrete junction boxes were manufactured at our Existing Selangor Plant where most of our production machineries and equipment are situated. Though we planned to set up our New Kulaijaya Plant in Southern Malaysia and acquire new machineries and equipment by phases, our business would largely be dependent on the continued and uninterrupted performance of our production facilities at our Existing Selangor Plant until the operation of our new production plant is in full swing. However, the machineries and equipment in these production plants are subject to operating risks, such as equipment failures, disruptions in power supply, industrial accidents, labour shortages, strikes, fire or natural disasters. If any unanticipated or prolonged interruption of our operations at our Existing Selangor Plant happens due to any of the aforesaid risks, we may not be able to deliver our products to our customers in a timely manner or at all. As a result, our relationships with our customers could be adversely affected due to our failure and we may be subject to contractual claims for compensation from our customers, which may materially and adversely affect our business, financial condition and results of operations.

We may not be able to implement our quality control systems effectively, which would result in our failure to conform with the requisite standards in relation to our precast concrete junction boxes

The quality of our precast concrete junction boxes is crucial to the success of our business. This depends significantly on the effectiveness of our quality control systems, which in turn, relies on a number of factors, including the design of our QMS, our quality control training programme, and our employees' awareness in adhering to our quality control policies and guidelines. Any significant failure or deterioration of our Group's QMS could result in the production of defective or substandard products, delay in delivery of our precast concrete junction boxes, replacement of defective or substandard precast concrete junction boxes and damage our reputation.

Being a precast concrete junction box manufacturer, if our precast concrete junction boxes do not meet the specifications and requirements of our customers, who are mainly infrastructure companies, construction companies, general contractors and mechanical or electrical contractors or sub-contractors in Malaysia who participate in the telecommunication or electrical infrastructure projects involving notable telecommunication companies and TNB in Malaysia and use our precast concrete junction boxes for onward installation at the construction or project sites, or if our precast concrete junction boxes are defective, or result in our customers suffering losses as a result of our precast concrete junction boxes, we may be subject to product liability claims and litigations, claims for indemnity by our customers and other claims for compensation. We may also incur significant legal costs regardless of the outcome of any claim of alleged defect. Product failure or defects, and any complaints or negative publicity resulting therefrom, could result in a decrease in the sale of our products, or claims or litigation against us regarding the quality of our products. As a result, it may have a material adverse effect on our business, reputation, financial conditions and results of operations.

In addition, our Group has received certifications relating to quality management standards such as the ISO 9001:2008 certification, and obtained approval or registrations with notable telecommunication companies and TNB in Malaysia as their approved suppliers. We cannot assure you that we can continue to maintain our QMS effectively and that we will not lose such certifications in the future. Accordingly, any significant failure or deterioration of our quality control systems could result in a loss of such recognitions and certifications, which in turn may have a material adverse effect on our sales performance, reputation and prospects.

Our profit margin could be adversely affected if we are unable to continuously maintain high utilisation of our production machineries and equipment

Our ability to maintain our profitability depends partly on our ability to maintain a high utilisation rate of our production machineries and equipment in our Existing Selangor Plant and New Kulaijaya Plant in Southern Malaysia. The level of utilisation rate of our production machineries and equipment can impact on our operating results as a certain percentage of our costs of sales such as direct labour and production overhead are fixed in nature. A higher utilisation rate of our production machineries and equipment allow us to spread our fixed costs over a larger quantity of our precast concrete junction boxes, resulting in a higher profit margin. Hence, if we are unable to continuously maintain a high utilisation of our production machineries and equipment, our profit margin would be adversely affected.

We may not be able to obtain adequate financing for the development of our business in the future

The daily operation of our business requires intensive working capital and we also require capital investment to purchase machineries and equipment for our business growth. During the Track Record Period, we relied on our registered capital and bank borrowings to maintain our cash flow and satisfy the needs of our daily productions.

We cannot assure you that we will be able to obtain bank loans and/or other equity or debt financing on commercially reasonable terms and/or on a timely basis following the Listing. If we are unable to obtain necessary financing or obtain such financing on favourable terms due to various factors beyond our control, we may not have sufficient funds to develop our business and the future prospect and growth potentials of our Group may be adversely affected.

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

Given that our profit margins in respect of our products are dependent on the price of our quotation provided to the infrastructure companies, construction companies, general contractors and mechanical or electrical contractors or sub-contractors in Malaysia for inclusion in their tenders for a project, which may be affected by factors that are specific to the project, such as the length of the contract period, the time gap between the date of our quotation and the delivery of our products and the specifications provided by the customers, there is no assurance that we will always be able to maintain similar levels of profitability as those during the Track Record Period.

During the Track Record Period, our gross profit amounted to approximately RM7.5 million, RM9.9 million and RM8.3 million, respectively, and our gross profit margin amounted to approximately 32.3%, 29.8% and 33.7%, respectively. We may not be able to sustain our historical gross profit and gross profit margin for various reasons, including but not limited to, our Group's ability to cope with the changing demand and requirements from customers and the cost of raw materials and trading products for production. For detailed analysis of our Group's gross profit and gross profit margin, please refer to the section headed "Financial Information – Period to period comparison of results of operations" of this prospectus.

Furthermore, during the Track Record Period, our revenue amounted to approximately RM23.2 million, RM33.3 million and RM24.5 million respectively. For FY2015 and FY2016, our net profit amounted to approximately RM3.8 million and RM4.9 million, respectively. For the nine months ended 28 February 2017, we recorded a net loss of approximately RM386,000. Such trends of the historical financial information of our Group is only an analysis of our past performance. It does not have any positive implication, nor would it necessarily reflect our financial performance in the future, which will largely depend on our capability to secure new purchase orders, control our costs and expenditures and project implementation. The profit margins and income of our Group's projects may fluctuate from project to project, and the historical revenue from our provision of products to the projects in the past may not be indicative of our future revenue or profitability. Prospective investors should be aware of the risk of our Group's failure to secure future purchase orders when considering our Group's financial results.

Our failure to acquire raw materials or to fill our customers' orders in a timely and cost-effective manner could materially and adversely affect our business operations

We rely on third party suppliers to meet our raw materials requirements. The principal types of raw materials in the manufacturing of our products consist of ready-mix concrete, steel bars and junction box covers.

For FY2015 and FY2016 and the nine months ended 28 February 2017, the total purchases from our Group's five largest suppliers amounted to approximately RM7.1 million, RM12.1 million and RM7.9 million, representing approximately 57.3%, 66.1% and 48.7% of our total cost of purchases for the corresponding periods. As such, our reliance on our five largest suppliers in supplying quality production materials to us has been relatively high.

If any of our major suppliers is unable to deliver raw materials according to such schedule or in such volume as is required for our production, and we fail to purchase from other suppliers in a timely and cost-effective manner, our production schedule and delivery of the products required by our customers could be delayed and our workers have to work overtime for the delayed production schedule. In addition, we may occasionally need to purchase raw materials in the market at higher prices to meet our production deadlines if the delivery of the raw materials we initially ordered is delayed. Our relationships with our customers could be adversely affected as a result of any of such delays or increases to our selling price due to an increase in purchase prices of raw materials, which may materially and adversely affect our business, financial conditions and results of operations.

On the other hand, although we received product testing certification in respect of our precast concrete junction boxes from SIRIM for quality assurance, there is no guarantee that the quality of the raw materials supplied to our Group by our major suppliers will always meet our required standards, and we may be forced to replace these raw materials with alternative suppliers at extra costs.

Our insurance policies may not be sufficient to cover liabilities from claims and litigation and our insurance premium may increase from time to time

We have taken out insurance policies in line with industry practice, which is also generally required by our customers to cover our business operations. However, there are certain types of losses for which insurance coverage is not generally available on commercial terms acceptable to us, or at all. Examples of these include insurance against losses suffered due to business interruptions, earthquakes, floodings or other natural disasters, wars, terrorist attacks or civil disorders, or losses or damages caused by industrial actions.

If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance covers, we may have to bear such losses, damages or liabilities by ourselves. In such case, our business operations and financial results may be adversely affected. Even if we have maintained relevant insurance policies, our insurers may not fully compensate us for all potential losses, damages or liabilities regarding our properties or business operations.

We also cannot guarantee that the insurance premiums payable by us in relation to the implementation of projects will not increase. During the Track Record Period, our total insurance premiums amounted to approximately RM54,000, RM81,000 and RM45,000, respectively. Any further increases in insurance costs (such as an increase in insurance premiums) or reductions in insurance coverage may materially and adversely affect our business operations and financial results.

We rely on key management personnel

Our success and growth is, to a large extent, attributable to the continued commitment of our executive Directors, senior management team and our capability to identify, hire and retain suitable and qualified employees, including management personnel with the necessary industry expertise. Notwithstanding our efforts to reward them for their service and contribution to our Group, there is no assurance that our compensation packages and incentive schemes will successfully attract and retain key personnel. Any unanticipated departure of our executive Directors and/or senior management team may have an adverse impact on our business operations and profitability.

Acquisition of land in Southern Malaysia as opposed to leasing may have adverse impact on our financial results

To continue exploring and capturing the growth opportunities in Southern Malaysia and expanding our market share through the strategic expansion of our production capacities in Southern Malaysia, instead of continually leasing the land where our New Kulaijaya Plant is situated, we plan to acquire the said land, or if the landlord declines to sell the land, the alternative parcels of land in the vicinity. The expected acquisition cost is approximately HK$8.4 million which shall be funded partly by the net proceeds from the Share Offer.

Land is an amortisable asset. If the related amortisation expenses are higher than the future rentals, it will result in a lower net profit when compared with the situation of the continual leasing. In such circumstances, as opposed to leasing, our financial position may be more adversely affected, with a lower return on equity ratio and shareholders' investment return. Further, if there is a decrease in the future rentals, that means we can lease the land with lower rentals if we continue to lease the land instead of acquiring it, and this represents an opportunity cost to us.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Personal injuries, property damages or fatal accidents may occur at work sites

Although we generally supervise and monitor closely our employees in the implementation of all safety measures and procedures during the manufacturing process, we cannot guarantee that our employees will follow our safety measures and/or will not breach any applicable rules, laws or regulations. Any personal injuries and/or fatal accidents to the employees of our Group may lead to claims or other legal proceedings against our Group. As at the Latest Practicable Date, our Group was not subject to any claims from employees.

We operate in a competitive and consolidated environment

According to the Ipsos Report, the precast concrete junction box industry is competitive and consolidated. According to Ipsos Report, players typically establish their market position through their product and service offering, and are largely defined by their proximity or ability to deliver products to major utilities and utility related construction projects. Our ability to compete also depends on a number of factors which may be beyond our control, including the price of the comparable products offered by our competitors in the market and our responsiveness to changes in our customers' needs. Owing to the intense competition in the precast concrete junction box industry in which we operate, we cannot assure you that we can maintain our leading position in the industry at all times. In the event that our competitors lower their product prices, we might have to follow their act in order to maintain our market shares, competitiveness, or to lower our inventory level.

There is no assurance that our attempts to remain competitive in the market will succeed. If our attempts to remain competitive fail and our market share shrinks, our overall performance may be adversely affected.

We rely on the success of both the telecommunication and electrical industries and construction industries as the success of our business, which is highly correlated to the performance of our customers' industries

Our precast concrete junction boxes are mainly used for onward installation at construction sites and are used for housing and protecting telecommunication and electrical utility connections and distribution access points and to serve as the intermediate pulling and splicing points in conduit systems. According to the Ipsos Report, the precast concrete telecommunication junction box and electrical junction box manufacturing industry is heavily reliant on the development of the construction industry, telecommunication and electrical distribution upgrade and expansion works.

Our business relies on the telecommunication and electrical industries and the construction markets as our customers are generally infrastructure companies, construction companies, general contractors, mechanical or electrical contractors or sub-contractors and traders of telecommunication or electrical materials in Malaysia. The demand from our customers is therefore dependent on the demand and supply dynamics of the telecommunication and electrical industries and the construction industry. As such, the demand for our products may fluctuate according to the cycles of telecommunication and electrical distribution upgrade and expansion works and the construction industry.

On the other hand, the demand for our precast concrete junction boxes is also affected by the business performance of our customers and/or their ultimate employer in the telecommunication and electrical infrastructures upgrade and expansion works and in the construction industry, which is beyond our control. Our customers' business could underperform due to a number of factors, such as changes in their business strategies, failure to develop successful marketing strategies, changes in the market demand for their services and adverse market or economic conditions in the markets in which our customers operate. If our customers experience underperformance or are under financial difficulties, they could reduce their purchases from our Group, which could have a material and adverse impact on our business, results of operations, financial conditions and prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN MALAYSIA

As all of our Group's assets, business operations and manufacturing facilities are in Malaysia, its economic, political and legal developments would affect the results of our operations, financial position and prospects accordingly. The major risks that we are exposed to are as follows:

Our business operations are subject to uncertainties with respect to the laws and regulations, social political and economic developments, and Malaysian government policies

Our Group's business, prospects, financial condition and results of operations may be adversely affected by any changes in the laws and regulations, social, political and economic developments and changes in Malaysian government policies.

All our products are sold in Malaysia, which will continue in the foreseeable future. Our operations will be subject to the risks of regional conflicts, terrorism, extremism, nationalism, changes in interest rates, imposition of capital controls, changes in government policies or introduction of new rules or regulations concerning construction industries and telecommunication and electrical industries or environmental or manufacturing regulations and methods of taxation in Malaysia. Any negative developments in the Malaysian economy may have a material adverse effect on business. Although the overall Malaysian economic environment (in which our Group predominantly operates) appears to be positive, there can be no assurance that this will continue to prevail in the future.

Furthermore, the production of precast concrete junction boxes involves using ready-mixed cement, which affects the environment in the neighbourhood of our production plant, and the Malaysian government may tighten regulations governing our industry to meet more stringent environmental requirements. It may expand the scope of existing regulations, tighten the rules governing the licence renewal process or even impose requirements to install certain equipment; these new measures may limit our Group's flexibility to operate and may increase our Group's costs of operations. Our Group's failure to comply with such laws and regulations could also result in reprimands, penalties, fines and legal proceedings against us.

Currency conversion and exchange rate risks

Since a substantial amount of income and profit of our Group is denominated in RM, any fluctuations in the value of RM may adversely affect the amount of dividends, if any, payable to the Shares in HK$ to our Shareholders.

The Central Bank of Malaysia had, in the past, intervened in the foreign exchange market to stabilise the RM, and it pegged the RM to the US$ in September 1998. On 21 July 2005, the Central Bank of Malaysia adopted a managed float system which benchmarked the RM to a currency market to ensure that the RM remains close to its fair value. Our Group cannot assure you that the Malaysian government will not impose more restrictive or additional foreign exchange controls. Any imposition, variation or removal of exchange controls may lead to less independence in the Malaysian government's conduct of its domestic monetary policy and increased exposure of the Malaysian economy to the potential risks and vulnerability of external developments in the international markets.

Furthermore, fluctuations in the RM's value against other currencies will create foreign currency translation gains or losses and may have an adverse effect on our Group's business, financial condition and results of operations. Any imposition, variation or removal of foreign exchange controls may adversely affect the value, translated or converted into HK$, of our Group's net assets, earnings or any declared dividends. Consequently, this may adversely affect our Group's ability to pay dividends or satisfy other foreign exchange requirements.

Our ability to receive dividends and other payments from our subsidiaries in Malaysia may be restricted

There are foreign exchange policies in Malaysia which support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability. The foreign exchange policies are administered according to the Foreign Exchange Administration Rules as promulgated by the Central Bank of Malaysia. The foreign exchange policies apply to both residents and non-residents. Under the current Foreign Exchange Administration Rules issued by the Central Bank of Malaysia, non-residents are free, at any time, to repatriate any amount of investment proceeds, including capital, divestment proceeds, profits, dividends, or any income arising from investments in Malaysia, subject to the applicable reporting requirements and any withholding tax, provided that repatriation of funds must be made in a foreign currency.

If the Central Bank of Malaysia introduces any new foreign exchange policies which restrict such proceeds from being repatriated in the future, the ability to repatriate dividends or distributions to our Company could adversely affect our business, results of operations and financial condition.

Our Group's principal subsidiaries are incorporated in Malaysia and their main assets are located in Malaysia. It could be difficult to enforce a foreign judgment against our Malaysian subsidiaries, our Directors and the management in Malaysia

Our Group's principal subsidiaries are incorporated under the laws of Malaysia. The majority of our Directors and members of management are residents of Malaysia and a substantial portion of the assets and the assets of our Directors and management are located in Malaysia. Enforceability of certain foreign judgment in Malaysia is by virtue of the Reciprocal Enforcement of Judgments Act 1958, in which a foreign judgement must be registered before it can be enforceable. The registration of such foreign judgments is only possible if the judgment is given by a superior court from a country listed in the First Schedule of the Reciprocal Enforcement of Judgment Act 1958, which includes United Kingdom, Hong Kong, Singapore, New Zealand, Republic of Sri Lanka, India and Brunei Darussalam. In two of Judgment Act 1958, the only method of enforcement at common law, is by securing a Malaysian judgment. As a result, it could be difficult to enforce a foreign judgment against our Malaysian subsidiaries, our Directors and the management in Malaysia.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

The market price and trading volume of our Shares may be highly volatile

Prior to the Share Offer, there has been no public market for our Shares, and there is no assurance that an active trading market for our Shares will develop or be sustained upon completion of the Share Offer. The market price and trading volume of our Shares may be highly volatile. Factors such as variations in our Group's revenue, earnings or cash flow and/or announcements of new investments, strategic alliances could cause the market price of our Shares to change substantially. Any such factors may result in large and sudden changes in the volume and market price at which our Shares will be trading. There are no assurances that these developments will or will not occur in the future and it is difficult to quantify the impact on our Group and on the trading volume and market price of our Shares. In addition, our Shares may be subject to changes in the market price, which may not be directly related to our financial or business performance.

Shareholders' equity interests may be diluted

Our Group may need to raise additional funds in the future to finance, *inter alia*, expansion or new developments relating to its existing operations or new acquisitions. If additional funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the Shareholders in our Company may be reduced and Shareholders may experience dilution in their percentage shareholdings in our Company. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

Investors of the Shares may experience dilution in the net asset value per Share of the Shares they invested if our Company issues additional Shares in the future at a price which is lower than the net asset value per Share.

Future sale of Shares by existing Shareholders could materially and adversely affect the prevailing market price of our Shares

The Shares beneficially owned by the existing Shareholders are subject to certain lock-up periods. There are no assurances that any Controlling Shareholders will not dispose of our Shares held by them following the expiration of the lock-up periods, on any Shares they may come to own in the future. Our Group cannot predict the effect, if any, of any future sales of our Shares by any Controlling Shareholder on the market price of our Shares. Sale of a substantial amount of Shares by any of them or the issue of a substantial amount of new Shares, or the market perception that such sale or issue may occur, could materially and adversely affect the prevailing market price of our Shares.

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

Prior to the Share Offer, there has been no public market for our Shares. The Offer Price will be determined through negotiations between us and the Joint Lead Managers (for themselves and on behalf of the Underwriters), and it may not necessarily be indicative of the market price of the Shares after the Share Offer is complete. While we have applied for the listing of and permission to deal in the Shares on GEM, we cannot assure you that an active trading market will develop, or, if it does develop, that it will be sustained following completion of the Share Offer, or that the market price of the Shares will not fall below the Offer Price.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Statistics and industry information may come from various sources which may not be reliable

Certain facts, statistics and data presented in the section headed "Industry Overview" of this prospectus and elsewhere in this prospectus in relation to the Malaysia construction industry have derived, in part, from various publications and industry-related sources prepared by government departments or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information and we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. Neither our Group, our Directors, the Sole Sponsor, the Joint Lead Managers and the Joint Bookrunners nor any of the parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics, as such these statistics and data should not be unduly relied upon.

Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial projections, valuations or other forward looking statements. There may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus prior to the publication of this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters, the Directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the "**Professional Parties**") involved in the Share Offer have authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work was prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibilities for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibilities and liabilities whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Offer Shares. You should rely only on the information contained in this prospectus.

WAIVER AND EXEMPTION IN RESPECT OF FINANCIAL STATEMENTS IN THIS PROSPECTUS

The Accountants' Report set out in Appendix I to this prospectus includes audited financial information for our Group for the two years ended 31 May 2016 and the nine months ended 28 February 2017.

Rule 7.03(1) of the GEM Listing Rules requires a listing applicant to include in the prospectus the consolidated results of the listing group in respect of each of the two financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Stock Exchange.

Rule 11.10 of the GEM Listing Rules requires a listing applicant to have an accountants' report prepared in accordance with Chapter 7 of the GEM Listing Rules, covering at least the two financial years immediately preceding the issue of the prospectus.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and set out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires a company to include in its prospectus a statement as to, inter alia, its gross trading income or sales turnover (as may be appropriate) during each of the three financial years immediately preceding the issue of the prospectus, including an explanation of the method used for the computation of such income or turnover, and a reasonable break-down between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires a company to include in its prospectus a report by its auditors with respect to, inter alia, its profits and losses and assets and liabilities in respect of each of the three financial years immediately preceding the issue of the prospectus.

Pursuant to section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), all reference to "3 preceding years", "3 financial years" and "3 years" in paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance are substituted by a reference to "2 preceding years", "2 financial years" and "2 years", respectively, for a prospectus issued in relation to an application for the listing of securities on GEM.

Pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

Our Directors and the Sole Sponsor consider that strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as modified by section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong)) and Rules 7.03(1) and 11.10 of the GEM Listing Rules would be unduly burdensome and the waiver and the exemption as mentioned above would not prejudice the interests of the investing public on the following grounds: (a) there has been no material adverse change in our Group's financial and trading positions or prospects since 28 February 2017 and there is no event since 28 February 2017 which would materially affect the information shown in the accountants' report set forth in Appendix I to this prospectus, the loss estimate of our Group for the year ended 31 May 2017 set forth in Appendix IIB to this prospectus, the section headed "Financial Information" in this prospectus and other parts of this prospectus; (b) the inclusion of financials covering the two years ended 31 May 2016 and the nine months ended 28 February 2017 in this prospectus together with the loss estimate of our Group for the year ended 31 May 2017 set forth in Appendix IIB to this prospectus already provides potential investors with adequate and reasonably up-to-date information to form a view on the track record and earnings trend of our Group and includes all information that is necessary for the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and profitability of our Group; (c) typically, in listing documents, investors are provided audited financial information that, irrespective of the applicant's year end, is not more than six months' old prior to the date of the listing documents, and given this prospectus already includes audited financial information up to 28 February 2017, our Company is in compliance with this standard practices; and (d) strict compliance with (i) Rules 7.03(1) and 11.10 of the GEM Listing Rules; and (ii) paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as modified by section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong)), would inevitably delay the timetable further and significantly. There would not be sufficient time for our Group and the reporting accountants to complete the audit work on the full financial information for the year ended 31 May 2017 for inclusion in this prospectus, which is expected to be issued in July 2017. If the financial information is required to be audited up to 31 May 2017, our Company and the reporting accountants would have to undertake a considerable amount of work to prepare, update and finalise the Accountants' Report and this prospectus and the relevant sections of this prospectus will need to be updated to cover such additional period.

Our Directors and the Sole Sponsor confirmed that all information necessary for the public to make an informed assessment of our activities, assets and liabilities, financial position, management and prospects has been included in this prospectus and that, as such, the waiver granted by the Stock Exchange and the exemption granted by the SFC from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules and section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, respectively, will not prejudice the interests of the investing public. Our Directors and the Sole Sponsor confirmed that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, except for the non-recurring Listing expenses, there has been no material adverse change in our financial and trading positions or prospect since 1 March 2017 to 31 May 2017 and there has not been any event since 1 March 2017 to 31 May 2017 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules subject to the following conditions:

(i) the listing of the Shares will take place on or before 31 July 2017;

(ii) the SFC granting a certificate of exemption from strict compliance with the requirements under section 342(1) in respect of the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance subject to such conditions as the SFC thinks fit in the granting of such certificate of exemption;

(iii) a loss estimate for the year ended 31 May 2017 in compliance with Rules 14.29 to 14.31 of the GEM Listing Rules will be included in this prospectus; and

(iv) a Directors' statement that there is no material adverse change to the financial and trading positions or prospect of our Group, except for the non-recurring Listing expenses, with specific reference to the trading results from 1 March 2017 to 31 May 2017 will be included in this prospectus.

Further, an application has been made to the SFC for a certificate of exemption from strict compliance with section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance about the inclusion of the accountants' report covering the full year ended 31 May 2017 in this prospectus on the ground that it would be unduly burdensome for our Group's consolidated results for the financial year ended 31 May 2017 to be finalised within a short period of time and the exemption as mentioned above would not prejudice the interests of the investing public. The SFC has granted a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the requirements of paragraphs 27 and 31 on the conditions that (a) the Prospectus will be issued on or before 6 July 2017 and our Company's Shares will be listed on the Stock Exchange on or before 31 July 2017; and (b) particulars of the exemption are set out in this prospectus.

In accordance with Guidance Letter HKEx-GL25-11, a loss estimate of our Group for the year ended 31 May 2017 which complies with Rules 14.29 to 14.31 of the GEM Listing Rules has been set out in Appendix IIB to this prospectus.

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 (subsidiary legislation 571V of the Laws of Hong Kong) and the GEM 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, and there are no other matters the omission of which would make any statement herein or this prospectus misleading. In addition, 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 Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. So far as the Share Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus or the relevant Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Joint Bookrunners, any of their respective directors (where applicable) or any other parties involved in the Share Offer.

PROCEDURE FOR APPLICATION FOR THE OFFER SHARES

The procedure for applying for the Public Offer Shares is set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published in connection with the Share Offer for which RHB Capital Hong Kong Limited is the Sole Sponsor. The Offer Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreements. For further information about the Underwriters and underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

RESTRICTIONS ON SUBSCRIPTION OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to, or be deemed by his, her or its acquisition of the Offer Shares to, confirm that he, she or it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms. This prospectus and/or the Application Forms is not an offer or invitation in any jurisdiction in which it is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation.

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

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a share offer of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons who possess this prospectus or any of the related Application Forms should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws. Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.

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.

APPLICATION FOR LISTING ON GEM

Our Company has applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and which are to be issued or may be issued pursuant to the Capitalisation Issue and the Share Offer (including any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) and as otherwise described herein on GEM.

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

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

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public. A total of 180,000,000 Offer Shares, representing approximately 29.03% of the enlarged issued share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme) will be made available under the Share Offer.

Only securities registered on the register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

HONG KONG BRANCH SHARE REGISTRAR, REGISTRATION AND STAMP DUTY

The principal register of members of our Company will be maintained by our principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and a branch register of members of our Company will be maintained by our Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, in Hong Kong. Unless our Directors otherwise agreed, all transfer and other documents of title of Shares must be lodged for registration with, and registered by our Company's Hong Kong branch share registrar and transfer office.

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional advisers.

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on GEM are expected to commence on or about 19 July 2017. Shares will be traded in board lots of 8,000 Shares each and are freely transferable.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Malaysian ringgit (RM) in this prospectus have been translated into, for this purpose of illustration only, at the following exchange rates as at the Latest Practicable Date:

RM1.00 = HK$1.82

LANGUAGE

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

ROUNDING

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

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Loh Swee Keong	18, Villa Manja, Jalan Manja 3 52200 Kuala Lumpur Malaysia	Malaysian
Mr. Tan Cheng Siong	8, Jalan Puteri Indah 1/7 Taman Puteri Indah 83000 Batu Pahat Johor Malaysia	Malaysian
Independent non-executive Directors		
Mr. Yau Ka Hei (邱家禧)	2/F, Block 27 Tseng Lan Shue Village Clear Water Bay Road Sai Kung Hong Kong	Chinese
Mr. Chu Kin Ming (朱健明)	Flat C, 11/F., Block 1 Heya Aqua Cheung Sha Wan Kowloon Hong Kong	Chinese
Mr. Lee, Alexander Patrick (李明鴻)	Flat 1A, Linden Height 11 Boyce Road, Jardine's Lookout Hong Kong	Chinese

For further information on the profile and background of our Directors, please refer to the section headed "Directors, Senior Management and Employees" of this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**RHB Capital Hong Kong Limited** 12/F., World-Wide House 19 Des Voeux Road Central Hong Kong *(a corporation licensed under the SFO and permitted to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)*
Joint Lead Managers and Joint Bookrunners	**Ample Orient Capital Limited** Room A, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong *(a corporation licensed under the SFO and permitted to conduct type 1 (dealing in securities) regulated activities)* **ChaoShang Securities Limited** Rooms 4001-4002 China Resources Building 26 Harbour Road Wanchai Hong Kong *(a corporation licensed under the SFO and permitted to conduct type 1 (dealing in securities) and type 2 (dealing in future contracts) regulated activities)* **Supreme China Securities Limited** Suite 2701-2, 27/F Everbright Centre 108 Gloucester Road Wanchai Hong Kong *(a corporation licensed under the SFO and permitted to conduct type 1 (dealing in securities) regulated activities)*

Legal advisers to our Company	*As to Hong Kong Law* **TC & Co.** Units 2201-3, 22nd Floor Tai Tung Building 8 Fleming Road Wan Chai Hong Kong *As to Malaysian Law* **David Lai & Tan** Level 8-3 & 8-4, Wisma Miramas No. 1, Jalan 2/109E Taman Desa Jalan Klang Lama 58100 Kuala Lumpur Wilayah Persekutuan *As to Cayman Islands Law* **Appleby** 2206-19 Jardine House 1 Connaught Place Central Hong Kong
Legal adviser to the Sole Sponsor and the Underwriters	*As to Hong Kong Law* **Hastings & Co.** 5th Floor, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Reporting Accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F One Pacific Place 88 Queensway Hong Kong
Industry consultant	**Ipsos Limited** 22/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong

Receiving bank	**DBS Bank (Hong Kong) Limited** 11th Floor The Center 99 Queen's Road Central Central Hong Kong

Headquarter and principal place of business in Malaysia	18, Jalan LP 2A/2 Taman Lestari Perdana 43300 Seri Kembangan Selangor, Darul Ehsan Malaysia
Principal place of business in Hong Kong (registered under Part 16 of the Companies Ordinance)	Units 2201-3 Tai Tung Building 8 Fleming Road Wanchai Hong Kong
Registered office in the Cayman Islands	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Company's website address	www.targetprecast.com *(information on this website does not form part of this prospectus)*
Company secretary	Ms. Chau Wing Kei *Certified Public Accountant* Flat E, 37/F, Block 1, East Point City Tseung Kwan O, New Territories Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Loh Swee Keong 18, Villa Manja, Jalan Manja 3 52200 Kuala Lumpur Malaysia Ms. Chau Wing Kei *Certified Public Accountant* Flat E, 37/F, Block 1, East Point City Tseung Kwan O, New Territories Hong Kong
Compliance officer	Mr. Tan Cheng Siong 8, Jalan Puteri Indah 1/7 Taman Puteri Indah 83000 Batu Pahat Johor Malaysia

Audit committee	Mr. Chu Kin Ming *(Chairman)* Mr. Yau Ka Hei Mr. Lee, Alexander Patrick
Remuneration committee	Mr. Yau Ka Hei *(Chairman)* Mr. Tan Cheng Siong Mr. Chu Kin Ming
Nomination committee	Mr. Loh Swee Keong *(Chairman)* Mr. Yau Ka Hei Mr. Lee, Alexander Patrick
Cayman Islands principal share registrar and transfer office	**Estera Trust (Cayman) Limited** P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	**CIMB Bank Berhad** 1st Floor, Lot 10&11 Plaza Azalea, Section 14 Persiaran Bandaraya 40000 Shah Alam Selangar Malaysia **Public Bank Berhad** 36&38 Jalan Maarof Bangsar Baru 59100 Kuala Lumpur Malaysia
Compliance adviser	**RHB Capital Hong Kong Limited** 12/F., World-Wide House 19 Des Voeux Road Central Hong Kong

Auditor	**Deloitte PLT (LLP0010145-LCA)** *Chartered Accountants (AF0080)* Level 16, Menara LGB 1 Jalan Wan Kadir, Taman Tun Dr. Ismail 60000 Kuala Lumpur Malaysia

The information and statistic set out and presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the Ipsos Report prepared by Ipsos, an independent industry consultant, which was commissioned by us. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. Our Directors have no reason to believe that such information or statistics is not reliable, false or misleading in any material respect of that any fact has been omitted that would render such information or statistics false or misleading in any material respect. The information and statistics have not been independently verified by us, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, our or their respective directors and officers or any other parties involved in the Share Offer. No representation is given as to the accuracy or completeness of such information and statistics. Our Directors confirmed that after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report and up to the date of this prospectus which may qualify, contradict or have an impact on the information in this section. The information extracted from Ipsos Report has not been independently verified by our Group, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters or any other party involved in the Share Offer and representation.

SOURCE OF INFORMATION

We have commissioned Ipsos, an independent industry consultant, to conduct an analysis of, and to report on, the precast concrete telecommunication junction box and electrical junction box manufacturing industry (collectively the "**precast concrete junction box industry**") in Malaysia at a fee of HK$468,000, and our Directors consider that such fee reflects market rates. The Ipsos Report has been prepared by Ipsos independent from our Group's influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Ipsos Report. The payment of such amount was not conditional on our Group's successful Listing or on the results of the Ipsos Report. Ipsos has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Ipsos is part of a group of companies which employs approximately 16,000 personnel worldwide across 87 countries. Ipsos conducts research on market profiles, market sizes and market share and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The Ipsos Report includes information on the precast concrete junction box industry in Malaysia. The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desktop research; and (ii) primary research, including interviews with key stakeholders including key stakeholders, and industry experts and competitors in Malaysia, etc. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, this methodology guarantees a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy.

All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

Ipsos developed its estimates or forecasts on the following bases and assumptions: (i) it is assumed that the global economy remains a steady growth across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the precast concrete junction box industry in Malaysia during the forecast period.

The following parameters have been taken into account in the market sizing and forecast model in the Ipsos Report:

- GDP and GDP growth rate in Malaysia from 2012 to 2015;
- Population and urbanisation rate in Malaysia from 2012 to 2015;
- Electricity consumption in Malaysia from 2012 to 2015;
- Total power distribution system lines in Malaysia from 2012 to 2015;
- Total number of fixed-line subscriptions from 2012 to 2015;
- Total number of DEL Subscriptions in Malaysia from 2012 to 2015;
- Total number of cellular subscriptions in Malaysia from 2012 to 2015;
- Total number of broadband subscriptions in Malaysia from 2012 to 2015;

- Total number of fixed line and wireless broadband subscriptions from 2012 to 2015;
- Fuel mix in electricity capacity from 2012 to 2015;
- Gross output value of the construction industry in Malaysia from 2012 to 2016;
- Gross output value of public and private construction projects in Malaysia from 2012 to 2015;
- Gross output value of the civil engineering construction works done in Malaysia from 2012 to 2015;
- Gross output value of civil engineering utilities construction works done in Malaysia from 2012 to 2015;
- Tenth Malaysia Plan 2011 – 2015 Strategy Paper;
- Eleventh Malaysia Plan 2016 – 2020 Strategy Paper;
- Historical average monthly wage in Manufacturing in Malaysia 2012 to 2015;
- Historical price of portland cement in Malaysia from 2012 to 2015;
- Historical price of concrete in Malaysia from 2012 to 2015; and
- Historical price of steel reinforcement in Malaysia from 2012 to 2015.

Geography of Malaysia

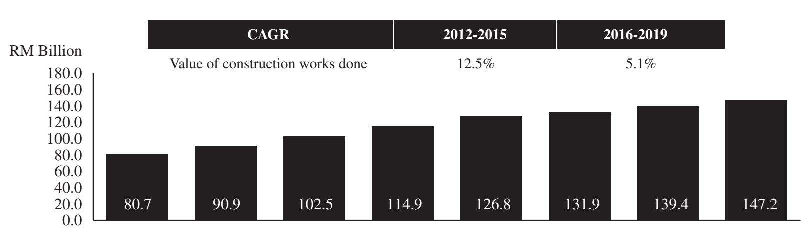
West Malaysia ***(also known as Peninsular Malaysia)*** **–** describes Peninsular Malaysia, bordering Thailand, with Singapore at the end of the peninsula.

- Peninsular Malaysia consists of the following 11 states and two federal territories:
- Northern Region: Kedah Darul Aman, Penang, Perak Darul Ridzuan and Perlis Indera Kayangan
- East Coast Region: Kelantan Darul Naim, Pahang Darul Makmur and Terengganu Darul Iman
- Central Region: Selangor Darul Ehsan ("**Selangor**"), federal territories of Kuala Lumpur and Putrajaya
- Southern Region: Johor Darul Ta'zim ("**Johor**"), Malacca and Negeri Sembilan Darul Khusus

East Malaysia – describes Sabah and Sarawak, and Federal Territory of Labuan – Located on the island of Borneo shared with Indonesia, separated by the South China Sea from Peninsular Malaysia.

OVERVIEW OF THE CONSTRUCTION INDUSTRY IN MALAYSIA

Total value of construction works done in Malaysia



Note: 'F' denotes a forecasted figure
Sources: Quarterly Construction Statistics, Department of Statistics Malaysia; Ipsos Report

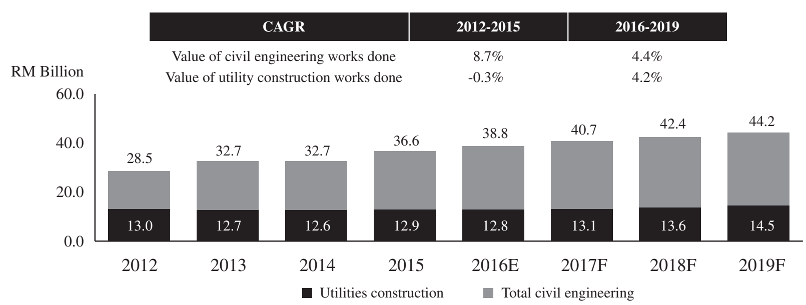
Between 2012 and 2015, the total value of construction works done has increased from approximately RM80.7 billion to RM114.9 billion at a CAGR of approximately 12.5%. This growth was driven by the Malaysia's Economic Transformation Program ("**ETP**") launched in 2010, a national strategic program focusing on developing Malaysia into a high income economy by 2020.

Selangor recorded the highest in value of construction work done, approximately 22.7% of the total value of construction work done in the second quarter of 2016 (approximately RM6.9 billion). Johor followed in second, with approximately 22.1% of the total value of construction work done in the second quarter of 2016 (approximately RM6.7 billion).

The total value of construction works done is expected to continue increasing at a CAGR of approximately 5.1% between 2016 and 2019 from approximately RM126.8 billion to RM147.2 billion respectively. In addition to ETP, the Malaysian government has set forth strategic projects to improve its transportation network, tourism infrastructure, address housing shortages, and upgrade energy delivery by increasing the volume of renewable schemes over the forecast period.

The Memorandum of Understanding for the KL-Singapore high speed rail was signed in July 2016, and the joint tender for works was released in August 2016 which is expected to drive the construction works segment, as well as demand for precast concrete telecommunication junction boxes and electrical junction boxes.

Value of civil engineering and utilities construction works done



Note: 'E' denotes an estimated figure, 'F' denotes a forecasted figure

Sources: Quarterly Construction Statistics, DOSM; Ipsos Report

The civil engineering sector in Malaysia is a sub-segment of the construction industry, characterised by its key component activities such as civil and structural works, roads, bridges, transportation infrastructure, mechanical, electrical, telecommunication, and plumbing works to name a few. Utilities construction works is a sub-segment of civil engineering referring to works to upgrade and expand utility supply and distribution to service public demand for telecommunication, electrical, gas, and water and wastewater treatment to name a few.

From 2012 to 2015, the gross output value of civil engineering works grew from approximately RM28.5 billion to RM36.6 billion, recording a CAGR of approximately 8.7%, and is expected to continue increasing from approximately RM38.8 billion to RM44.2 billion at a CAGR of approximately 4.4% from 2016 to 2019 driven by the ETP in Malaysia and the highspeed railway project connecting Kuala Lumpur and Johor Bahru with Singapore.

OVERVIEW OF TELECOMMUNICATION AND ELECTRICITY SUPPLY IN MALAYSIA

Telecommunication in Malaysia

Internet and broadband subscriptions witnessed continued growth in recent years. The number of fixed-line broadband subscriptions, which accounted for almost 35.0% of all internet subscriptions in 2015, is expected to increase at an average rate of approximately 11.9% on a year-on-year from 2016 to 2020 as the roll out of Malaysia's high-speed internet service, high speed broadband, continues.

The continuing expansion and upgrade construction works for telephone, cellular, mobile, and broadband services will continue to require underground cabling for broadband fibre optics, connectivity to cellular towers stations, and to provide high quality and more access points for wireless telecommunication, supporting the development of the precast concrete junction box industry.

Telekom, Celcom and DiGi Telecom signed a deal to extend network for about 3,000 to 3,500 km in Peninsular Malaysia in 2013. The collaboration of operators is to build and utilise existing and expanding network lines more efficiently, optimising costs and to extend higher quality coverage throughout Peninsular Malaysia. In 2014, Telekom has also continued commitments with Dynasty View Sdn. Bhd. (Dynasty View) established since 2010 signing a Memorandum of Understanding (MoU) and fourth (4th) Service Agreement for the development of Telekom's high speed broadband (HSBB) network infrastructure and services to the new phase of Seri Austin residential development in on going commitments to develop and expand network connectivity throughout Johor.

Furthermore, the Malaysian Communications and Multimedia Commission (MCMC) is targeting to provide broadband access for 95% of Malaysians by 2020, with goals to offer connectivity speeds of up to 100Mbps to at least 50% of urban areas and 20% of rural locations. These future expansion and upgrade works in telecommunication is expected to be the main driver and provide opportunities for utility construction projects, and for the precast concrete junction box industry in Malaysia.

Power supply and distribution in Malaysia

Total electricity consumption in Malaysia recorded a growth of 5.0% from 116,354 GWh in 2012 to 134,489 GWh in 2015, and is expected to grow at a CAGR of approximately 4.4% to reach 159,369 GWh in 2019 from 140,163 GWh in 2016. Around 84.0% of the installed capacity is in Peninsular Malaysia, 12.0% is in Sarawak and the remaining 4.0% is in Sabah.

Underground cables are used extensively for the transmission and distribution of medium to high voltage earthing system. In tandem with the increasing demand for electricity, underground cables are estimated to extend to approximately 822,615 km in 2015 from 423,758 km in 2012, at a CAGR of approximately 24.8%.

New developments are set in place to further boost the growth of underground cables in the country such as the Pan Borneo Highway project in East Malaysia (i.e. new power cables are needed for the relocation of existing cables affected by the widening of the existing highway, road re-alignment or construction of new stretches of road), and new underground cable package for rural areas in Peninsular Malaysia (i.e. supply of 500kV line worth RM900.0 million).

There are several major energy and utilities projects under construction or at planning stage to increase electricity distribution throughout Malaysia. This includes coal-fired power plant in Perak, coal-fired power project in Negeria Dembilan, and a Cogeneration plan in Johor with project values of approximately US$1,621, US$2,905 and US$1,180 million respectively. These projects are expected to drive the ancillary electricity distribution construction projects, and subsequently, the demand for electrical junction boxes during the forecast period.

PRECAST CONCRETE UTILITY STRUCTURES MANUFACTURING INDUSTRY IN MALAYSIA

The most common precast concrete utility structures include pipes, tanks, manholes, telecommunication junction boxes, electrical junction boxes, and vaults.

The precast concrete utilities structures manufacturing industry in Malaysia is largely dependent on construction works for utilities infrastructure and new development area construction. Between 2012 and 2015, the precast concrete utilities structures manufacturing industry increased from approximately RM462.2 million to RM480.0 million at a CAGR of approximately 5.3% of the utilities construction works done, precast concrete junction box industry supplying to utilities construction works accounted for approximately 3.6% of the utilities construction works done in 2012, increasing to approximately 3.7% by 2015.

Growth in the industry is expected to rise in tandem with the demand for utility expansion and utility upgrades to service increasing public demand for reliable supply and distribution of telecommunication, power, water, drainage, and gas to name a few. The precast concrete utilities structures manufacturing industry is expected to continue increasing at a CAGR of approximately 2.0% between 2016 and 2019.

PRECAST CONCRETE JUNCTION BOX INDUSTRY IN MALAYSIA

Precast concrete telecommunication junction box and electrical junction box are mainly designated for conjunction use of telecommunication and electrical cabling.

Concrete junction box are structured to protect cables and wires of telecommunication and power utility industries from weather conditions, changing elevation in underground conditions, and provide easy access for maintenance. These products are typically installed by the construction and property development industry to provide access and distribution of telecommunication and power supplies at new property or area developments, and infrastructure upgrades commissioned by utility companies.

The precast concrete telecommunication junction box and electrical junction box manufacturing industry in Malaysia is heavily reliant on the development of the construction industry, telecommunication and electrical distribution upgrade and expansion works. Due to this nature, there is no standard or fixed price for precast concrete telecommunication junction boxes or electrical junction boxes. The price of junction boxes are dependent on the construction project needs, materials and specifications required for the junction box, the order quantity, and the price of key raw materials – concrete and steel rebar – for the manufacturing of precast concrete junction boxes. As Malaysia continues to development, new telecommunication and electrical infrastructure needs to be constructed by the utilities companies to ensure the existing electrical infrastructure and telecommunication networks can cope with rising demand as well as meet future capacity needs. Typically, more telecommunication junction boxes and electrical junction boxes are required during construction and upgrading works if the location has higher electricity and telecommunication usage as a result of higher density of underground cabling and maintenance access points, or longer distance for connectivity.

In Malaysia, the use of precast junction boxes have become more prevalent in construction projects, replacing traditional cast-in-situ concrete construction practices due to time effectiveness, cost efficiency, consistent quality, and structural specifications that can be achieved.

- ***Time effectiveness.*** The production of precast concrete junction boxes is completed at the factory off-site and does not require construction, casting and curing at the construction sites and reducing the overall construction time.

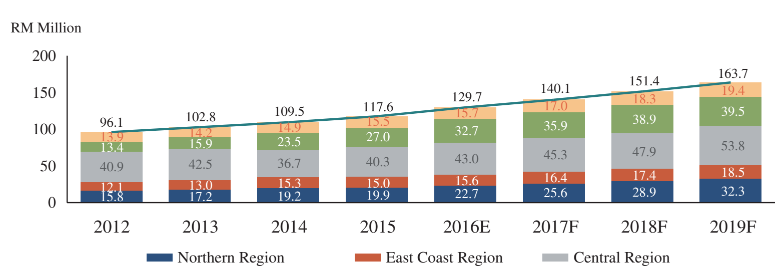
- ***Cost efficiency.*** The adoption of precast concrete junction boxes decreases the need for huge manpower resources since most of the production is centrally managed at the factory off-site. Labour cost can be reduced at least by 25% to 50% compared to conventional cast-in-situ practices.

- ***Consistent quality and structural specification.*** Compared to conventional cast-in-situ practices, precast concrete junction boxes are manufactured with consistent specifications which allow for longer use durability of the product and higher consistency in the quality of the concrete structure. Precast concrete junction boxes can be given different desired shapes by different construction requirements. It allows for a variety of designs and shapes and is manufactured with consistency.

The continuing adoption and demand of precast concrete junction box is expected to steadily increase.

Total revenue of precast concrete electrical junction box and telecommunications junction box manufacturing industry, Malaysia

CAGR	Total revenue
Precast concrete junction boxes and telecommunications junction boxes and manholes (2012-2015)	7.0%
Precast concrete junction boxes and telecommunications junction boxes and manholes (2016-2019)	8.1%



Notes: Regional breakdown of the total revenue reflects the location of the construction project site or off-loading site where the sales of junction box were delivered to by manufacturers in Malaysia to customers; forecast figures are based on historical data, ongoing, and upcoming telecommunications and electricity distribution expansion plans, regional construction activities, as well as major construction projects in Malaysia.

Source: Ipsos Report

The precast concrete electrical junction box and telecommunications junction box manufacturing industry grew from approximately RM96.1 million to RM117.6 million from 2012 to 2015 at a CAGR of approximately 7%, driven by the expansion of power distribution and high-speed telecommunications throughout Malaysia, to service key transportation developments, upgrade of infrastructure facilities, and new development areas.

In conjunction with the construction industry and national strategies laid out in the Tenth Malaysia Plan for key infrastructure projects and electricity and broadband connectivity, the regional revenue reflected by key construction activities throughout Malaysia, where the states of Selangor, Johor, and the Federal Territories of Kuala Lumpur and Putrajaya drove demand for junction boxes for railway expansion, business and property development projects, as well as national plans to upgrade the reliability and expand broadband and electricity distribution to more remote and rural areas in the country.

The precast concrete electrical junction box and telecommunications junction box manufacturing industry is expected to continue growing at a CAGR of approximately 8.1% between 2016 and 2019 from approximately RM129.7 million to RM163.7 million. This is expected to be driven by power supply distribution, fixed-line, and fibre optic cable network expansion into newly-developed economic areas and rural areas in Malaysia.

The recently announced 2017 budget for Malaysia also unveils a series of new developments such as increasing housing supply in both urban and remote areas, expansion and update of telecommunication and electricity distribution infrastructure.

The Central Region and Southern Region of Malaysia is expected to record the majority share of junction box revenue during the forecast period with key projects such as the Sungai Besi-Ulu Kelang Elevated Expressway (SUKE), the Light Rail Transit 3, and Klang Valley MRT (Line 1, Line 2) in Selangor. The Southern Region is expected to continue its strong growth with key projects such as the Gemas-Johor Baru double track, the Refinery and Petrochemicals Integrated Development (Rapid) project in Southern Johor, the continuing expansion of the Iskander Regional Development in Southern Johor with a concentration of infrastructure construction projects as key development area in connectivity with Singapore, and the Malacca Gateway project to name a few. Growth in the Central and Southern Regions is furthered by the Kuala Lumpur-Singapore High Speed Rail project running from Kuala Lumpur and Putrajaya in the Central Region, to Negri Sembilan, Malacca, and 3 stations in Johor in the Southern Region before reaching Singapore. Other key cross-region projects include the East Coast Railway Line project which connects Port Klang(Selangor) to Tumpat (Kelantan) falling under the Silk Road Economic Belt's railway network from Singapore to China and the Kuantan Port consortium in the state of Pahang, East Malaysia.

COMPETITIVE ANALYSIS OF THE PRECAST CONCRETE TELECOMMUNICATION JUNCTION BOX AND ELECTRICAL JUNCTION BOX MANUFACTURING INDUSTRY IN MALAYSIA

Competitive landscape

The market for precast concrete telecommunication junction box and electrical junction boxes is competitive and consolidated, servicing by two main types of players (general precast concrete players who also manufacture precast utilities structures, and specialised precast concrete utilities structure manufacturers) in the precast concrete manufacturing industry. Players typically establish their market position through their product and service offering, and are largely defined by their proximity or ability to delivery products to major utilities and utility related construction projects.

Top five precast concrete telecommunication junction box and electrical junction box manufacturers in Malaysia in 2015 (by revenue)

For FY2016, our Group's revenue in Malaysian market was at approximately RM33.3 million, ranking first by revenue with approximately 28.3% market share of the total revenue of the entire precast concrete junction box industry in Malaysia (i.e. the industry in relation to the manufacturing of both precast concrete telecommunication junction box and precast electrical junction box).

Rank	Company name	Headquarter in Malaysia	Revenue in 2015 *(RM'million)*	Market share in 2015	Background information
1	Our Group	Selangor	33.3 *(Note 2)*	28.3%	Telecommunication Junction Boxes, electrical Junction Boxes and other precast concrete products
2	Company A	Kuala Lumpur	24.1	20.5%	Manufacture of concrete products such as customised products (e.g. arch culvert, box girder, T-wall), IBS (e.g. precast staircase, RC wall panel) and Standard Products (e.g. junction boxes for drainage, sewerage, telecommunication & electrical industry)
3	Company B	Pahang	10.2	8.7%	Building construction and manufacture of concrete products (e.g. square piles, prestressed beams, box culverts, junction boxes, and telecommunication concrete poles)
4	Company C	Selangor	7.0	6.0%	Manufacture and supply concrete products (e.g. box culverts, septic tanks, telecommunication junction boxes, drains)
5	Company D	Selangor	6.9	5.8%	Manufacture of concrete products for the telecommunication and electrical infrastructure sector
	Others		36.1	30.7%	
			117.6	100.0%	

Source: Ipsos Report

Notes:

(1) Revenue figures of the above players represent revenue generated from precast concrete telecommunication junction box and electrical manufacturing industry in Malaysia which excluded revenue generated from other precast concrete utilities structures in 2015.

(2) Our Group's audited revenue refers to the financial year ended 31 May 2016.

Entry barriers

High capital costs and technical expertise required

The precast concrete telecommunication junction box and electrical junction box manufacturing industry requires high level of capital and technical expertise to set up a manufacturing plant and to enter the market. In precast concrete manufacturing, floor space, casting moulds, industrial equipment, inspection, quality control, inventory management, and transportation incurred high costs requiring sufficient scale of production to be cost effective. Furthermore, a high level of expertise is required to ensure the quality, specifications, and structural strength is achieved during manufacturing, and for the products to align with the construction project requirements and meet the safety standards for telecommunication and electrical utility supply lines.

Established supplier and contractor relationship

The manufacturing of precast concrete electrical junction box and telecommunication junction box is reliant on the demand for products from construction contractors servicing the supply of telecommunication and electrical utility construction projects. To avoid project delays and manage costs effectively, utility project construction contractors typically work with manufacturers they have worked with successfully in the past who can provide quality products at suitable pricing and with reliable product delivery to construction sites. For new players entering the market, the established supplier and contractor relationship by existing players in the market sets a high entry barrier to obtain business opportunities, particularly, at a scale that is economical for manufacturing production.

Specific certification and registrations required to become an approved supplier

To enter the precast concrete junction box industry, manufacturers need to meet specific supplier requirements for each individual end-customer prior to being awarded an approved supplier certification to tender for the end-customer's construction project. Typically, manufacturers also need to have a certification on product quality and management system quality to apply to become a registered supplier.

These registrations, and the requirement for certification, differ between Malaysian public government projects, and between telecommunication companies for private utilities construction works. Registration with specific companies also dictate which customers you can tender projects for, and is an entry barrier between competitors to become suppliers to non-existing customers, and a high entry barrier for new entrants in this industry.

Examples of these include:

Malaysian government projects:

- As the suppliers of contractors or other corporations, registration as a supplier and valid certification from Ministry of Finance is needed.
- Suppliers to Tenaga Nasional Berhad (TNB), Malaysia's national electric utility company need a certificate of registration as a vendor.
- Certification of Registration of product is also required.

Telecommunication Projects:

- Certification of registration as a telecommunication materials and equipment or junction box cover and accessories vendor for specific telecommunication companies; such as: Telekom, Maxis, DiGi Telecom, TIME dotCom Berhad to name a few.

Product testing:

- Product test report to show compliance with requirements according to corporations' appointed Quality Assurance Inspector and its standard and technical specification. Such as: Malaysia Standard Test Reports accredited under Department of Standards of Malaysia for Load Tests (MS:1293).

Production management systems:

- Certifications such as ISO 9001 for the quality management system for the design and manufacturing process.

Key drivers and opportunities of the precast concrete junction box industry

Infrastructures development in Southern Malaysia

Further developments in the southern peninsular region of Malaysia – such as building approximately 60,000 new housing units in Johor by 2020, providing free WiFi services through a three-year installation period, and Telekom extending their Unifi broadband service coverage to Batu Pahat, Taman Perling and Ulu Tiram in Johor towards the end of 2016 and subsequent addition of 10 exchange areas for Unifi services which included Skudai, Johor, Gelang Patah, Senai, Permas, Kulaijaya and Pasir Gudang are examples of key future development driving the growth of the precast concrete junction box industry in the country.

Further, new development areas such as the Johor Affordable Housing Project (RMMJ) with the Malaysian state government targeting to build 60,000 units of affordable houses by 2020, and key infrastructure projects such as the Sungai Besi-Ulu Kelang Elevated Expressway and Damansara-Shah Alam Highway, the RM9.0 billion light rail transit Line 3 and RM13.0 billion Pan Borneo Highway (Sabah stretch), and the RM28.0 billion 52.2-km KVMRT Line 2 (US$6.9 billion) was commenced in the second quarter of 2016 and be completed by the second quarter of 2022 with 11 underground stations will also give rise to the precast concrete junction box industry.

Advantage of precast concrete structures as compared to cast-in-situ concrete structures

Precast concrete telecommunication junction box and electrical junction box have become more prevalent in the utilities construction industry, offering several advantages in comparison with cast-in-situ concrete junction box. These advantages include structural strength, product quality consistency, structural specifications, convenient installation, cost efficiency through volume production, and reduced time-cost for construction labour, junction box construction time, and concrete curing time required by construction project contractors. These advantages are the key market drivers for the growth of precast junction box products in Malaysia.

Government led telecommunication and electricity distribution infrastructure developments

Continued government interest and investment to expand power distribution, telecommunication, civil infrastructures coupled with the development of new commercial, industrial, and residential areas remains are key drivers and opportunities for the precast concrete telecommunication junction box and electrical junction box manufacturing industry in Malaysia. This is also echoed in the recently announced Budget Malaysia 2017 speech, where housing supply will be increased through Perumahan Rakyat 1 Malaysia housing program and under the new National Blue Ocean Strategy initiatives. Major and ancillary infrastructure projects will have developed in conjunction with the major construction projects and government led developments to ensure continued accessibility, affordability and quality of living for the general public. The growing demand for reliable telecommunication and electricity distribution will provide opportunities for growth in the telecommunication and energy supply industries and the precast concrete junction box industry.

Malaysia's infrastructure is developing rapidly with its location at a strategic spot under the China OBOR initiatives. China is continuously making significant investments to the infrastructure in Malaysia, simultaneously enhancing its business relationship and technology exchange between the two countries. In November 2016, Malaysia and China signed 14 business-to-business agreements and memorandums totaling to approximately RM144 billion.

The nature of the 14 business-to-business agreements and memorandums comprise the following:

1. Engineering, Procurement, Construction and Commissioning Agreement between Malaysia Rail Link Sdn Bhd, China Communications Construction Company Limited ("**CCCC**") and China Communications Construction Company (M) Sdn. Bhd.

2. Memorandum of Agreement for Investment, Development and Construction of Melaka Gateway Project (KAJ Development and Power China).

3. Heads of Agreement between Bandar Malaysia Sdn Bhd and Greenland Holdings Group Overseas Investment Company Limited in respect of the Proposed Purchase of Land and Development thereon in Bandar Malaysia.

4. Heads of Agreement between Selat PD Sdn Bhd and CCCC Dredging (Group) Co. Ltd.

5. Framework Cooperation Agreement between the State Government of Sarawak, Hebei Xinwuan Steel Group and MCC Overseas Limited on the Proposed Development of Steel Plant in Sarawak.

6. Memorandum of Agreement between KAJ Development Sdn Bhd, Power China, Shenzhen Yantian Port and Rizhao Port for partnership collaboration on Melaka Gateway Port.

7. Heads of Agreement for the Bandar Malaysia Financial Scheme between IWH CREC Sdn Bhd and Industrial and Commercial Bank of China.

8. Memorandum of Understanding between East Coast Economic Region Development Council and Wuxi Suntech Power Co Ltd for Production of Crystalline Silicon Solar Cells and Module within the Malaysia-China Kuantan Industrial Park.

9. Memorandum of Agreement between BHS Industries Bhd and China Nuclear Huaxing Construction Co Ltd for Green Technology Park in Pekan, Pahang, Malaysia.

10. Granting of banking licence to China Construction Bank (Malaysia) Bhd by the Minister of Finance under the Financial Services Act 2013. With an initial paid-up capital of US$200 million, China Construction Bank will be able to provide infrastructure financing to support Malaysia's infrastructure development.

11. Memorandum of Understanding between Yanming Resources Sdn Bhd and Fuzhou Xin Zibu Culture Communication Co Ltd for the Growth and Development of Bird's Nest Market in China.

12. Memorandum of Understanding between Malaysia External Trade Development Corp (Matrade) and Alibaba.com.

13. Research and Development Collaboration Agreement between Royal Bird's Nest, Walet Company-International Private Limited Company and Peking University on Standardisation of Edible Bird's Nest Extract and Medical Properties for Pharmaceutical Drug Discovery.

14. Memorandum of Understanding between Aladdin Group Sdn Bhd and Suzhou Lian Cheng Yihao Information Technology Co Ltd.

Nine out of the 14 business-to-business agreements and memorandums are partnership and financing arrangements focusing on construction, infrastructure, and area developments in line with Malaysia's 2020 national strategy plan. Construction activities related to these agreements will also require ancillary construction and development of infrastructure, such as electricity and telecommunications network distribution.

These government led business agreements will further drive the demand for telecommunications and electricity distribution infrastructure construction projects, providing opportunity for the precast concrete junction box industry to supply to the construction projects to be completed in a safe, time effective, and cost efficient process. In addition, Malaysia and China has signed 16 Government-to-government Memorandum of Understanding (the "**MOUs**") *(Note)* to enhance economic cooperation and economic development between the two countries.

Furthermore, the Malaysia – Singapore High Speed Rail project, which will connect Kuala Lumpur and Johor Bahru with Singapore, is planned to commence in 2017, it is very likely for China to be a contender, as China Railway Group Limited (中國中鐵), China Railway Construction Corporation Limited (中國鐵建), China Railway Signal & Communication Corporation Ltd (中國鐵路通訊訊號), CCCC (中國交通建設) are expected to participate in the tender invitation.

Note: No further information or details on the MOUs is available from the public domain as at the Latest Practicable Date.

Market threats

Labour shortages and dependency on foreign workers

Labour shortage, particularly shortage of skilled labour, in Malaysia's manufacturing sector is largely due to an ageing workforce, migration of young workers to urban areas, and a decline in the number of persons entering the construction and manufacturing sectors. Particularly for construction and manufacturing works that are more labour intensive and rely on additional labour from sub-contractors, the decline in the number of worker, especially local workers with skills and experience, may result in increased operating cost and production delays.

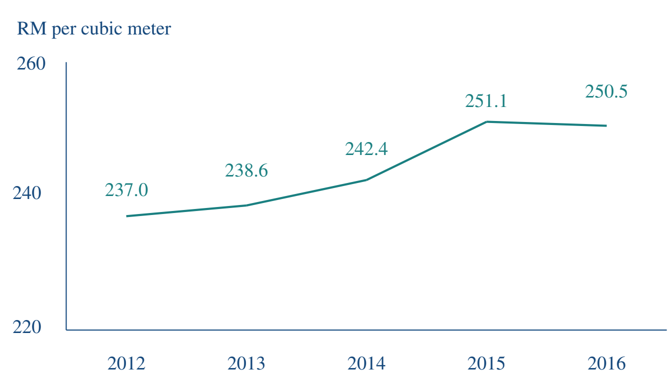
Rising production and transportation costs

Prices of concrete and labour costs have been steadily increasing in the past five years, and the increasing initiatives to develop far reaching rural areas and new area developments could lead to higher transportation costs that will be accounted for in the cost to construction contracts. Significant increases to these costs could impact the ability for manufacturers to provide competitive pricing, and to deliver precast concrete products cost effectively for construction contractors. For example, according to the Department of Statistics Malaysia, average monthly wages in manufacturing in Malaysia has increased from approximately RM2,480 in 2012 to approximately RM2,900 in 2015.

Local concrete market is expected to increase with stable demand for local concrete driven by the construction sector. The Malaysia government has implemented initiatives to maintain strong growth in construction sector, such as carrying out transportation infrastructures through Construction Industry Transformation program. The expected increase in demand for concrete is expected to contribute towards the rising price trend of concrete in the forecast period.

HISTORICAL PRICE TRENDS OF KEY RAW MATERIALS

Price trend of concrete in Malaysia, 2012-2016

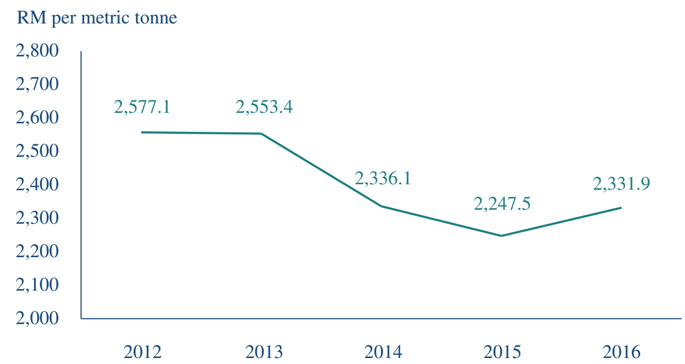


CAGR	2012 – 2016
Ready mix concrete	1.4%

Source: Construction Industry Development Board Malaysia; Ipsos Report

Price of concrete recorded stable prices between 2012 and 2016, with an increase of a CAGR of approximately 1.4% during this period, increasing from approximately RM237.0 per cubic metre to RM250.5 per cubic metre with an overall difference of approximately RM13.5 per cubic metre.

Price trend of steel reinforcement in Malaysia, 2012-2016



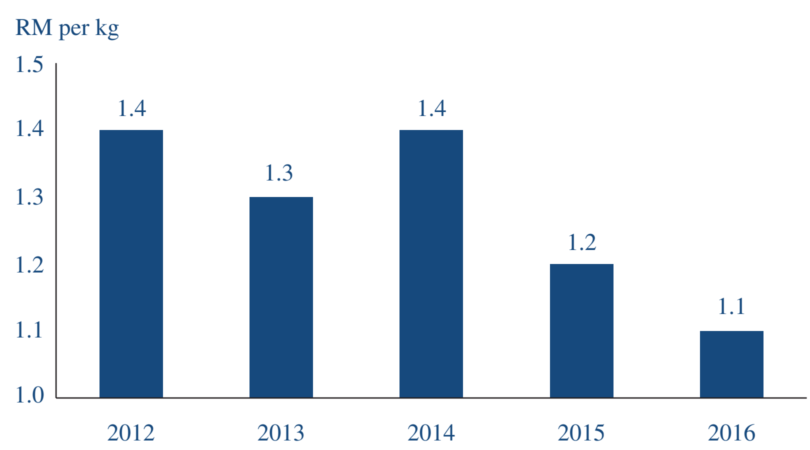
CAGR	2012 – 2016
Steel reinforcement	-2.5%

Source: Ipsos Report

Steel reinforcement prices recorded a steady decline from year 2012 onwards to reach RM2,331.9 per metric tonne in 2016, prices reduced at a CAGR of approximately -2.5% between 2012 and 2016 due to overall decline in steel prices and competitive imported steel rebar prices from China's oversupply of steel products.

Although steel prices have been on a declining trend, the price of steel is expected to increase steadily in Malaysia due to increasing steel demand in the local market from upcoming demand in construction and manufacturing sectors. Annual demand for steel in Malaysia is expected to increase by approximately 4% alone between 2016 and 2018, and the short term increase in demand of steep consumption is expected to lead to an increase in the price of steel and steel reinforcement bars.

Price trend of scrap iron and steel import in Malaysia, 2012 – 2016



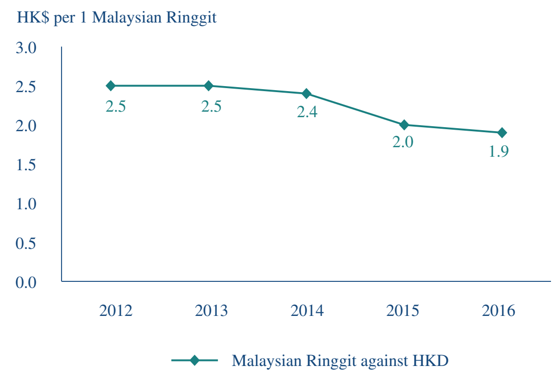
Note: Ferrous Waste and Scrap; Remelting Scrap Ingots of Iron or Steel refers to items under HS code of 7204 Ferrous Waste and Scrap; Remelting Scrap Ingots of Iron or Steel.

Source: UN Comtrade; Ipsos Report

In the context of Malaysia, there is limited domestic iron resource. Therefore, the majority of raw materials, which are in the form of scrap metal and iron ore pellets, are imported for manufacturing and their prices are dependent on international prices.

Import price of scrap iron and steel decreased from an average of approximately RM1.4 per kg in 2012 to approximately RM1.1 per kg in 2016, at a CAGR of -5.9%. The sliding iron ore price from 2013 to 2014 onwards reflected an overproduction in Australia and sagging demand in China. An imbalance of supply and demand in the global context has continued to put pressure on the global average commodity price of iron ore. Global average commodity price of iron ore has experienced a slight increase from approximately RM218.2 per dry metric ton in 2015 to approximately RM220.9 per dry metric tonne in November 2016. Price decline is expected to continue along the weakening global economy and oversupply in China.

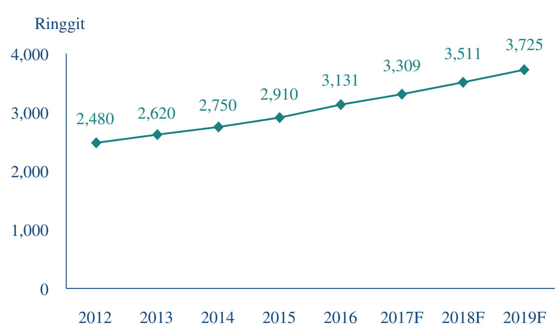
Exchange rate of Malaysia Ringgit against Hong Kong Dollar, 2012-2016



Source: Bank Negara Malaysia, IMF, 2016; Ipsos Research and Analysis

The Malaysian ringgit has gradually declined against the Hong Kong dollar over the past four years due to the lower value of oil, one of Malaysia's key exports, political controversies relating to reducing confidence in the Malaysian ringgit, as well as the increasing interest rates of the United States and devaluation of the Renminbi pushed the Malaysian ringgit down as the United States dollar (which the Hong Kong dollar is pegged to) strengthened against the Renminbi and Malaysian ringgit.

Average monthly wage of manufacturing sector in Malaysia, 2012-2019



CAGR	2012 – 2016	2017 – 2019
Average monthly wage	6.0%	6.1%

Source: Department of Statistics, Malaysia; Ipsos Report

Part of Malaysia's 2020 vision on the government's New Economic Model to develop Malaysia into a high-income economy by 2020 has driven the implementation of a minimum wage in January of 2013. Minimum wage was further extended to workers across all sectors in July of the same year. Between 2012 and 2016, the average monthly wage in the manufacturing sector increased at a CAGR of approximately 6.0%.

According to the Eleventh Malaysia Plan Strategy Paper covering strategic economic developments between 2016 and 2020, the section 'Energizing Manufacturing Sector' aims at reducing dependency on low cost foreign labour and labour-intensive manufacturing practices, increase productivity through automation, and to close the talent gap by developing more skilled workers domestically. This overall strategy is in line with Malaysia's 2020 New Economic Model is expected to support the steady increase in manufacturing wages by a CAGR of approximately 6.1% between 2017 and 2019, increasing monthly wage from RM3,309 to RM3,725 by 2019.

OVERVIEW OF MALAYSIAN LAWS AND REGULATIONS

As at the Latest Practicable Date, our Group had business operations in Malaysia primarily focusing on manufacturing Precast concrete junction boxes suitable for constructing telecommunication and electrical infrastructure. A summary of salient Malaysian legal and regulatory frameworks that are applicable in our business operations are as follows:

(i) Business Operation

The Industrial Co-ordination Act 1975

The Industrial Co-ordination Act 1975 ("**ICA 1975**") requires any person(s) engaging in any manufacturing activity with shareholders' funds of RM2,500,000 and above or employing 75 or more full time paid employees to obtain a manufacturing license from Ministry of International Trade and Industry of Malaysia ("**MITI**").

It is defined under ICA 1975, a manufacturing activity means the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade.

Any person who fails to obtain the said manufacturing license pursuant to ICA 1975 shall be liable on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 for every day during which such default continues. There is no expiry for the manufacturing license, however, the licensing office may in his discretion revoke a manufacturing license if the manufacturer:

(i) has not complied with any condition imposed in the license;

(ii) is no longer engaged in the manufacturing activity in respect of which the license is issued; or

(iii) has made a false statement in his application for the license.

This licensing requirement only applies to companies with shareholders' funds of RM2,500,000 and above or employing 75 or more full-time paid employees. In respect of companies below those thresholds, they will be exempted from the requirement to hold a manufacturing license.

The Local Government Act 1976 and Trade By-Laws

It is a requirement for a company carrying business in Malaysia to obtain a business license for each operating premise from the relevant local authority which is empowered under the Local Government Act 1976 ("**LGA 1976**").

LGA 1976 confers the power to the local authority to make by-laws which provide that no person shall use any premise within the jurisdiction of respective Municipal Council without a license issued by respective Municipal Council.

The validity of the business license granted by the local authority shall be valid for a period not exceeding 3 years and subject to renewal. Every person to whom a license has been granted shall exhibit his license at all times in some prominent place on the licensed premises and shall produce such license if required to do so by any officer of the local authority authorized to demand the same. It is provided under LGA 1976 that any person who fails to exhibit or to produce such license shall be liable to a fine not exceeding RM500 or to imprisonment for a term not exceeding 6 months or to both.

Our Group is running our businesses at Seri Kembangan, Balakong and Kulaijaya and therefore it is a requirement to comply with the following by-laws:

(i) **Licensing of Trades, Business and Industries (Subang Jaya Municipal Council) ("MPSJ") By-Laws 2007** – no person shall use any place or premises, within the area administered by MPSJ for any trade, business or industry of without a license issued by MPSJ. Any person who contravenes any of the provisions of the by-laws stated therein shall be guilty of an offence and shall be liable on conviction to a fine not exceeding RM2,000 and imprisonment for a term of one year or both and to a further fine not exceeding RM200 for every day during the offence is continued after conviction. It is provided that the duration of business license issued by Subang Jaya Municipal Council shall be remained in force from the date of the payment of license fee until 31 December of the current year.

(ii) **Licensing of Trades, Businesses And Industries (Kajang Municipal Council) ("MPKJ") By-Laws 2007** – no person shall operate any activity of trade, business and industry or use any place or premise in the local area of the Council for any activity of trade, business and industry without a license issued by the Licensing Authority. The Licensing Authority may issue a license that shall be valid for a period not exceeding three years and the license shall be renewable provided that application for the renewal of the license is made to the Licensing Authority three months before the expiry of the license. The licensee shall exhibit the license at a conspicuous place at his premises and shall produce the license upon request by the Licensing Authority or any other authorized personnel. A licensee that failed to do so shall, on conviction be liable for a fine not exceeding RM500 or an imprisonment not exceeding 6 months, or both.

(iii) **Licensing of Trades, Businesses, Industries and Professions (Kulai Municipal Council) By-Laws 1982** – no place within the area of Kulai Municipal Council shall, unless licensed, be used for any trade, business, industry or profession for which fees have been prescribed in the Schedule.

Any person who without a license establishes or uses any premises or permits the same to be established or used for any of the purposes set out in the Schedule of these by-laws shall be guilty of an offence and shall be liable on conviction to a fine not exceeding RM2,000 or a term of imprisonment not exceeding one year or to both such fine and imprisonment and to a further fine not exceeding RM200 for every day during which the offence is continued after conviction.

(Collectively referred to as "**Trade By-Laws**" in this section)

It is provided under LGA 1976 that for in relation to any prosecution for an offence under LGA 1976 and Trades By-Laws, where an offence has been committed by any body corporate, any person who at the time of the commission of such offence was a director, general manager, secretary or other similar officer of the body corporate or was purporting to act in any such capacity, shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent of connivance and that having regards to the nature of his functions in that capacity and to all the circumstances he tool all reasonable means and precautions to prevent the commission of the offence.

Factories And Machinery Act 1967

The Factories and Machinery Act 1967 ("**FMA 1967**") provides that no person shall operate or cause or permit to operate any machinery in respect of which certificate of fitness is prescribed, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under FMA 1967.

The period of validity of every certificate of fitness shall ordinarily be fifteen (15) calendar months from the date of inspection or such longer period not exceeding three (3) years as the Chief Inspector of the Factories and Machinery in his discretion may consider appropriate.

In the case of contravention, an inspector of the Factories and Machinery shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of such machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued.

Any person who operates any machinery without a certificate of fitness shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding 3 years or both.

No one shall install or caused to be installed any machinery in any factory or any machinery in respect of which a certificate of fitness is prescribed except with the written approval of the inspector. Any person who contravenes the same, shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or imprisonment for a term not exceeding two years or both.

It is provided under FMA 1967 that any contravention under FMA 1967, the occupier or a factory or the owner (as the case may be) shall be guilty of an offence. However, if it is proved to the satisfaction of a court that a contravention under FMA 1967 has been committed by any person other than the occupier or owner of the factory or machinery in respect of which the contravention has been committed, the owner or the occupier as the case may be shall also be held to be liable for that contravention and to the penalty provided therefore, unless he shall prove to the satisfaction of the court that the same was committed without his knowledge or consent and that he had taken all the reasonable means to prevent the same and to ensure the observance of the FMA 1967.

Land Public Transport Act 2010

The Land Public Transport Act 2010 ("**LPTA 2010**") provides that no person shall operate or provide a goods vehicle service using a class of goods vehicles for the carriage of goods for hire or reward or for or in connection with any trade or business unless he holds an operator's license. Pursuant to the Act, a person would be deemed to be operating or providing a goods vehicle service if he drives the vehicle or employs one or more persons to drive the vehicle.

In the case of a contravention by a Company, the company will be deemed to have committed an offence and upon conviction shall be liable to a fine not exceeding two hundred thousand ringgit. In the event that a person contravenes the same, the person shall be liable to a fine not exceeding ten thousand ringgit or an imprisonment for a term not exceeding one year or both.

(ii) Intellectual Properties Rights

The Trade Marks Act 1976

It is provided under Trade Marks Act ("**TMA 1976**") that the valid registration of a person as registered proprietor of a trade mark (other than a certification trade mark) in respect of any goods or services shall be given or be deemed to have been given to that person the exclusive right to the use of the trade mark in relation to those goods or services subject to any conditions, amendments, modifications or limitations entered in the register of trade marks kept under TMA 1976. Only the proprietor of a registered trademark may claim for trademark infringement under TMA 1976.

A registered trade mark is infringed by a person who, not being the registered proprietor of the trade mark or registered user of the trade mark using by way of permitted use, uses a mark which is identical with it or so nearly resembling it, as it is likely to deceive or cause confusion in the course of trade in relation to goods or services in respect of which the trade mark is registered.

A trade mark, once registered with the Malaysian Intellectual Property Corporation ("**MyIPO**") is valid for 10 years and may be renewed every 10 years.

Proceedings for trade mark infringement can be initiated when a person other than the registered user or proprietor uses a mark identical to, or resembling, the registered mark so that it is likely to deceive, or cause confusion, in the course of trade in relation to goods in respect of which the trade mark is registered.

The Common Law Protection towards Unregistered Trade Marks

Despite the non-registration of the trademark under the TMA 1976, there is an alternative cause of action for passing off goods or services under common law. To succeed in a valid cause of action for passing off, the following requirements shall be satisfied:

(a) the mark used by the other party is a misrepresentation;

(b) it is made by a trader in the course of trade;

(c) it is in the course of trade to prospective customers of his or ultimate consumers of goods or services supplied by him;

(d) it is calculated to injure the business or goodwill of another trader; and

(e) it causes actual damage to a business or goodwill of the trader by whom the action is brought.

(iii) Employment and Labour Protection

The Industrial Relations Act 1967

The Industrial Relations Act 1967 ("**IRA 1967**") provides the legal framework and procedures for employees who have been unfairly dismissed and/or constructively dismissed by their employers. The IRA 1967 provides an avenue to seek redress via the Malaysian industrial court, which specializes in handling industrial relation matters only.

The Employment Act 1955

The Employment Act 1955 ("**EA 1955**") regulates all labour relations including contracts of service, payment of wages, employment of women, maternity protection, rest days, hours of work, holidays, termination, lay-off and retirement benefits, employment of foreign employees and keeping of registers of employees.

For the purpose of EA 1955, Employment (Amendment) Act 2012 ("**EAA 2012**") provides that 'employee' means any person, irrespective of his occupation, who has entered into a contract of service with an employer under which such person's wages do not exceed RM2,000 a month and employees involve in manual labour, supervisors of such manual labourers and drivers, irrespective of their monthly wages. In the event of inconsistencies between the terms of employment contract and the minimum standards of the EA 1955, the more favourable terms will be enjoyed by the employees.

Every employer is required to prepare and keep the registers of employees in the prescribed form. Unless otherwise permitted by the Director General of Labour, the register of employees is required to be kept under Employment Regulations 1957 ("**ER 1957**") in the office within the place of employment where employees are employed and the employer shall make such register of employees available for inspection by the Director General of Labour as and when required to do so.

The Employment (Restriction) Act 1968

The Employment (Restriction) Act 1968 ("**ERA 1968**") provides that no person shall employ in Malaysia, a non-citizen unless there has been a valid employment permit issued. Upon obtaining the approval from the Ministry of Home Affairs, a company is required to submit applications for Visit Pass (Temporary Employment) to the Foreign Workers Division, Immigration Department of Malaysia. The approval of the Visit Pass (Temporary Employment) can be revoked if its conditions are contravened. Failure to comply will result the employer being fined not exceeding RM5,000 or to imprisonment for a term not exceeding 1 year or both wherein the word of employer is defined under ERA 1968 as any person who has entered into a contract of service to employ any other person as an employee includes the agent, manager or factor of such first mentioned person.

The Employees Provident Fund Act 1991

The Employees Provident Fund ("**EPF**") is a social security institution formed in accordance to the Employees Provident Fund Act 1991 ("**EPFA 1991**") providing for the retirement benefits for employees through management of their savings in an efficient and reliable manner.

Under EPFA 1991, both the employer and employee are required to make contributions into the employee's individual account in the EPF. The employers are required to contribute EPF to employees who are Malaysian citizens or permanent residents. Expatriates and foreign workers, who are not Malaysian citizens or permanent residents are not required to contribute EPF unless they elect to do so. The amount is calculated based on the monthly wage of the employee and the contribution rate is based on the wage or salary received by the employee. The rate of contribution for employers and employees effective on 1 March 2016 are as follows:

	MALAYSIAN CITIZENS AND PERMANENT CITIZENS	
Contributed by	**Employer**	**Employee**
Up age 60	12%	8%
Above age 60	6%	4%

However, for the employees who wish to maintain their employees' share contribution rate at 11% must complete and sign the Form KWSP 17A (Khas2016) and submit it to their respective employers.

If the employer fails to make the required contribution to the EPF within the prescribed period, the company and the directors are liable to pay in respect of or on behalf of any employee shall, on conviction, be liable to imprisonment for a term not exceeding 3 years or to a fine not exceeding RM10,000 or to both.

The Employees' Social Security Act 1969

Social Security Organization ("**SOCSO**") was mandated to administer and enforce the Employees' Social Security Act 1969 ("**ESSA 1969**") and Employee Social Security General Rules 1971 ("**ESSGR 1971**"). Through the ESSA 1969 and ESSGR 1971, SOCSO is able to provide free medical treatment, facility for physical or vocational rehabilitation, and financial assistance to employees if they have lost their abilities due to accidents or disease that have reduced their abilities to work or rendered them incapacitated.

Before 1 June 2016, ESSA 1969 covers all employees who work under employers with a monthly salary RM3,000 or below. Amendment effective from 1 June 2016 with the ESSA 1991, all the employees whom being employed under an employer under contract of service or apprenticeship in private sector is required to be insured. The ceiling of wages for contribution payment is capped at RM4,000.

The contribution to employee under ESSA 1969 shall comprise the contribution by the employer and employee respectively. The contributions shall fall into the following two categories, namely:

(a) First category (employment injury and invalidity schemes) – The rates of contribution under this category comprise of 1.75% employer's share and 0.5% employee's monthly wages;

(b) Second category (employment injury scheme) – The rates of contribution under this category is 1.25% of the employee's monthly wages solely borne by the employer.

If the employer fails to make the required contribution to SOCSO, the company and the directors shall be punishable with imprisonment for a term which may extend to 2 years, or with fine not exceeding RM10,000 or with both. Court may also order the employer to pay to the SOCSO the amount of any contributions, together with any interest credited on it, due and payable to SOCSO.

The Minimum Wages Order 2016

The Minimum Wages Order 2016 imposes minimum wages on all employees.

The current minimum wages of employees in Peninsular Malaysia is RM1,000 per month whereas the current minimum wages of employees in Sabah, Sarawak and Federal Territory of Labuan is RM920 per month.

The Occupational Safety and Health Act 1994

The Occupational Safety and Health Act 1994 ("**OSHA 1994**") provides a legislative framework to promote standards for safety and health at work. Pursuant to the provisions contained the OSHA 1994, the employer has a duty to ensure, so far as is practicable, the safety, health and welfare at work of the employees. It is the duty of employers to provide the employees with the training, knowledge, information and supervision to provide a safe working environment without risks to their health, safety and welfare.

The safety, health and welfare of persons at work are regulated under OSHA 1994 which is under the purview of the Department of Occupational Safety and Health, Ministry of Human Resources.

It is required by OSHA 1994 that every employer shall establish a safety and health committee at the place of work if (a) there are 40 or more persons employed at the place of work; or (b) the Director General of Occupational Safety and Health directs the establishment of such a committee at the place of work. The committee's main function is to review the safety and health measures and investigate any matters arising thereof. Companies engaging in manufacturing activities which employ more than 500 employees are required to employ a competent person to act as a safety and health officer at the place of work. Failure to comply will attract a fine of not exceeding RM5,000 or to imprisonment for a term not exceeding 6 months or to both.

OSHA 1994 also requires an occupier of a place of work to employ a competent person to act as a safety and health officer at the place of works. The safety and health officer employed shall be exclusively for the purpose of ensuring the due observance at the place of work of the provisions of the OSHA 1994 and any regulation made thereunder and the promotion of a safe conduct of work at the place of work.

Under the Occupational Safety and Health (Safety and Health Officer) Order 1997, an employer of manufacturing activity who employs more than 500 employees is required to employ a safety and health officer. Failure to observe and comply with this requirement constitutes an offence under OSHA 1994, which, on conviction, is punishable by a fine not exceeding RM10,000 or by an imprisonment for a term not exceeding one year or both and, in the case of continuing offence, to a fine not exceeding RM1,000 for every day or part of a day during which the offence continues after conviction. Where a body corporate contravenes any provisions of the OSHA 1994 or any regulations made thereunder, every person, who at the time of the commission of the offence is a director, manager, secretary or other like officer of the body corporate shall be deemed to have contravened the provision and may be charged jointly in the same proceedings with the body corporate or severally, and every such director, manager, secretary or other like officer of the body corporate shall be deemed to be guilty of the offence.

However, it is further provided under OSHA 1994, it shall be a defence in any proceeding against a person for an offence under the OSHA 1994 or any regulations made thereunder to satisfy the court that the offence was committed without his consent or connivance and that he exercised all such due diligence to prevent the commission of the offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances.

(iv) Environment Protection

The Environmental Quality Act 1974

Under the Environmental Quality Act 1974 ("**EQA 1974**"), a person is prohibited from:

(a) placing, depositing or disposing of, or causing or permitting to place, deposit or dispose of, except at prescribed premises only, any scheduled wastes on land or into Malaysian waters;

(b) receiving or sending, or causing or permitting to be received or sent any scheduled wastes in or out of Malaysia; or

(c) transiting or causing or permitting the transit of scheduled wastes, without the prior approval of the Director General of Environmental Quality.

Any person who contravenes this section 34B of EQA 1974 shall be guilty of an offence and shall be liable to a fine not exceeding RM500,000 or an imprisonment for a period not exceeding 5 years or both.

EQA 1974 further provides that where an offence against EQA 1974 or any regulations made thereunder has been committed by a company, firm, society or other body of persons, any person who at the time of the commission of the offence is a director, chief executive officer, manager, or other similar officer or a partner of the company, firm, society or other body of persons or was purporting to act in such capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that he has exercised all such diligence as to prevent the commission of the offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances.

The relevant legislation is the Environmental Quality (Schedule Waste) Regulations 2005 ("**EQSWR 2005**") which requires inter alia,:

(a) notification to the Director General of Environmental Quality in writing of the generation of any scheduled wastes, the new categories and quantities of scheduled wastes which are generated within thirty days of its generation;

(b) scheduled wastes to be disposed of at prescribed premises only;

(c) scheduled wastes to be treated at prescribed premises or at on-site treatment facilities only;

(d) every waste generator to ensure that scheduled wastes generated by him are properly stored, treated on-site, recovered on-site for material or product from such scheduled wastes or delivered to and received at prescribed premises for treatment, disposal or recovery of material or product from scheduled wastes;

(e) scheduled wastes shall be stored in containers which are compatible with the scheduled wastes be to stored, durable and which are able to prevent spillage or leakage of the scheduled wastes into the environment and the containers of the scheduled wastes shall be clearly labelled and marked for identification and warning purposes;

(f) a waste generator shall keep accurate and up-to-date inventory of the categories and quantities of scheduled wastes being generated, treated and disposed of and of materials or product recovered from such scheduled wastes for a period up to three years from the date the scheduled wastes was generated; and

(g) in the event of any spill or accidental discharge of any scheduled wastes, the contractor responsible for the waste shall immediately inform the Director General of Environmental Quality of the occurrence.

Pursuant to section 45 of EQA 1974, the Director General or any Deputy Director General of Environmental Quality or any other public officer or any local authority to which the Director General of Environmental Quality has delegated such power in writing, may compound any offence under EQA 1974 or the regulations made thereunder which is prescribed by the Minister to be a compoundable offence by accepting from the person reasonably suspected of having committed the offence a sum of money not exceeding RM2,000.

(v) Taxation

The Income Tax Act 1967

Pursuant to the Income Tax Act 1967 ("**ITA 1967**"), income tax shall be charged for each year of assessment upon the income of any person accruing in or derived from Malaysia or received in Malaysia from outside Malaysia.

A company will be a tax resident in Malaysia if its management and control is exercised in Malaysia. In normal circumstances, the place where the directors' meetings are held concerning management and control of the company will be considered in determining where the management and control is exercised.

Resident companies with a paid-up capital of RM2,500,000 or more and non-resident companies are subject to a tax rate of 24% with effect from year of assessment

2016. In cases of resident companies with a paid up capital of RM2,500,000 or less, they are taxed at the rate of 19% for the first RM500,000 and 24% for any sum in excess of RM500,000. The rates described will not apply if such resident company is a member of a group of companies where any of its related company has a paid up capital of RM2,500,000 or more.

Withholding tax is applicable to corporations making payments for certain types of income to non-residents as prescribed under the ITA 1967. However, Malaysia does not levy withholding tax for dividends paid by a company incorporated in Malaysia to non-resident shareholders.

The Goods and Services Tax 2014

The Goods and Services Tax 2014 provides that GST presently at 6%, is chargeable on all taxable supplies of goods and services made in the course or furtherance of a business in Malaysia and importation of goods into Malaysia by a taxable person. A taxable person is a person who makes taxable supplies in Malaysia with annual turnover exceeding RM500,000 and who is required to be registered with the Royal Malaysian Customs.

Any person who intends to evade or to assist any other person to evade tax commits an offence and shall on conviction, be liable, in relation to first offence, to a fine not less than 10 times and not more than 20 times the amount of tax or to imprisonment for a term not exceeding 5 years or to both and in relation to second and subsequent offence, to a fine not less than 20 times and not more than 40 times the amount of tax or to imprisonment for a term not exceeding 7 years or to both.

(vi) Foreign Exchange Control

The Financial Services Act 2013

The Financial Services Act 2013 ("**FSA 2013**") provides for the regulation and supervision of financial institutions, payment systems and other relevant entities and the oversight of the money market and foreign exchange market to promote financial stability and for related, consequential or incidental matters.

Pursuant to Notice 4 issued by Central Bank of Malaysia relating to the foreign exchange administration, a non-resident is allowed to repatriate funds from Malaysia, including any income earned or proceeds from divestment of ringgit asset, provided that the repatriation is made in foreign currency.

Foreign exchange administration rules allows non-residents to remit out divestment proceeds, profits, dividends or any income arising from investments in Malaysia.

Financial Procedure Act 1957

The Financial Procedure Act 1957 ("**FPA 1957**") provides for the control and management of the public finances of Malaysia, and for financial and accounting procedure including procedure for the collection, custody and payment of the public moneys of the Federation and of the States, and the purchase, custody and disposal of public property, other than land, of the Federation and of the States and for matters connected therewith.

FPA 1957 must be read together with the Treasury's Direction (Arahan Perbendaharaan) and the Treasury's Circular Bill 6 Year 2010 which provides that all the individual, firm, company or entity who wish to have the business dealing relationship with any of the government authority must be registered with the Ministry of Finance ("**MOF**").

The Treasury has the power to determine the criteria and rules for such registration. They are also empowered to suspend or cancel such registration against any individual, firm, company and any entity who have been found guilty, on default or unsatisfactory in their performance of a contract to the government for a reasonable period.

INTRODUCTION

Our Group's history can be traced back to the establishment of Target Precast, which is one of our three principal operating subsidiaries, in Malaysia in 1993 by our executive Director, Mr. Loh together with Mr. Yeoh Kwan Ho, another shareholder and an Independent Third Party.

In the early 1990s and before the establishment of Target Precast, Mr. Loh, with his experience in the construction industry, realised that the adopted method of making junction boxes at that time, which was the cast-in-situ method, had disadvantages. Cast-in-situ junction boxes required a longer installation time, more manpower and had a higher level of material wastage. With this in mind, Target Precast was established and its solution was to create a ready-made junction boxes that have manufactured offsite and just needed to be installed onsite. Target Precast initially engaged in the development and production of telecommunication junction boxes.

Our precast junction boxes were first certified by SIRIM in 2005. In 2007, our QMS was assessed and accredited with the ISO 9001:2000 certification under the scope of "manufacture of precast concrete manhole and accessories". In the same year, we expanded our reach to the northern region of West Malaysia, with our junction boxes being installed in construction projects in Ipoh and Penang. With sales picking up, our Existing Selangor Plant came into operation in 2007.

In 2008, Mr. Loh started to invest in Target S&M in order to venture into the trading of junction box accessories such as junction box covers and pipes to complement our junction box business. The provision of these junction box accessories allowed our Group to generate further revenue. In the same year, we became a registered supplier to Celcom to supply telecommunication materials and equipment (which includes junction boxes).

In 2008, we became a registered supplier for Telekom for telecommunication equipment and accessories. In the same year, we expanded our product range to include electrical junction boxes, which allowed us to participate in both telecommunication and electrical development projects in Malaysia.

In 2012, we became a registered supplier for TNB for the provision of electrical equipment and accessories (which includes junction boxes). Owing to the needs of our customers, we then established Target C&L in 2012 to venture into the provision of mobile crane rental and ancillary services to our customers.

To explore growth and expansion opportunities for our business, our Group has considered flotation on a stock market. In June 2015, our Group engaged a sponsor in relation to the proposed initial public offering of our shares on the ACE market of Bursa Malaysia Securities Bhd. (the "**Proposed Malaysia Listing**"). Subsequently, after due and careful consideration of the better market sentiment of the Hong Kong stock market and better liquidity of the shares of Hong Kong listed companies, the management of our Group eventually deliberated that a Malaysia listing might not be conducive to the needs of our Group taking into account our business strategies and funding needs to implement our business plan, we decided to discontinue the Proposed Malaysia Listing prior to making any formal listing application to Bursa Malaysia Securities Bhd. and to instead apply for listing in Hong Kong. In this regard, the Proposed Malaysia Listing has been discontinued and our Group has not submitted any formal listing application to Bursa Malaysia Securities Bhd..

BUSINESS MILESTONES

1993	Target Precast, our first operating subsidiary, was incorporated in Malaysia
2005	Target Precast received product testing certifications from SIRIM for our standard sized telecommunication junction boxes
2007	Target Precast was first accredited with ISO 9001:2008 in relation to the scope of "manufacture of precast concrete manhole and accessories"
	The Existing Selangor Plant in Seri Kembangan came into operation
2008	Target Precast became the registered supplier of Celcom for the supply of telecommunication materials and equipment
	Target Precast became a registered supplier of Telekom for the supply of telecommunication equipment and accessories (which includes junction boxes)
2012	Target Precast became the registered supplier of TNB for the supply of electrical equipment and accessories (which include junction boxes)
	Target C&L, our third operating subsidiary, was incorporated in Malaysia for the purpose of engaging in provision of mobile crane rental and ancillary services
2014	Target Precast obtained the Sin Chew Business Excellence Awards 2014 in the Category of Product and Service Excellence Award from Sin Chew Daily, a Chinese-language newspaper in Malaysia
2015	Target Precast leased a parcel of land with a total site area of approximately 8,100 m^2 to construct the New Kulaijaya Plant
	Target Precast obtained the Golden Eagle Award 2015 under the Excellent Eagle category from Nanyang Siang Pau, a Chinese-language newspaper in Malaysia
	Target Precast obtained the SME Product Excellence Award from the SME Association of Malaysia
2016	We successfully entered into a letter of award with Telekom which is legally binding, for the supply of precast concrete telecommunication junction boxes and junction box covers to Telekom for a period between 1 January 2017 to 31 December 2019

ESTABLISHMENT AND DEVELOPMENT OF OUR COMPANY AND ITS MAJOR SUBSIDIARIES

As at the Latest Practicable Date, our Group comprises our Company, Gallant Empire, Loyal Earn, SK Target Holdings, Target Precast, Target S&M and Target C&L. Set out below is the brief corporate history of our Company and its subsidiaries.

Our Company

Our Company, being the listing vehicle of our Group, was incorporated in the Cayman Islands as an exempted company with limited liability on 28 October 2016 and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 16 December 2016. As at the date of incorporation, our Company had an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, of which one (1) Share was allotted and issued as fully paid to the initial subscriber at par, which was then transferred to Merchant World (a BVI company wholly and beneficially owned by Mr. Loh) on the same date. On 11 November 2016, our Company allotted and issued as fully paid an additional 7,204 Shares to Merchant World and 2,795 Shares to Greater Elite. For further details of the Reorganisation, please refer to the paragraph headed "Reorganisation" in this section.

Gallant Empire

Gallant Empire was incorporated in the BVI with limited liability on 5 July 2016. As at the date of incorporation, Gallant Empire was authorised to issue a maximum of 50,000 shares of US$1.00 each. On 21 July 2016, 1,000 shares (representing the entire issued share capital of Gallant Empire) were allotted and issued as fully paid to Merchant World. As part of the Pre-IPO Investment, on 11 November 2016, Gallant Empire allotted and issued as fully paid 388 shares to Greater Elite. For further details of the Pre-IPO Investment, please refer to the paragraph headed "Reorganisation" in this section.

On 11 November 2016, as part of the Reorganisation, each of Merchant World and Greater Elite transferred its respective entire shareholding interests in Gallant Empire to our Company, in consideration of our Company allotting and issuing as fully paid an additional 7,204 Shares to Merchant World and 2,795 Shares to Greater Elite. After the said transfers, Gallant Empire became a wholly-owned subsidiary of our Company. For further details of the Reorganisation, please refer to the paragraph headed "Reorganisation" in this section.

As at the Latest Practicable Date, Gallant Empire was an investment holding company.

SK Target Holdings

On 24 August 2016, SK Target Holdings was incorporated in Malaysia with an authorised capital of RM400,000 divided into 400,000 shares of RM1 each, and 99 shares were allotted and issued to Mr. Loh and one (1) share was allotted and issued to Mr. Ng, both for cash at par value. Pursuant to a declaration of trust executed by Mr. Ng on 14 December 2016, Mr. Ng confirmed, *inter alia*, that the one (1) share held by him was held on trust for Mr. Loh with effect from 24 August 2016 and he dealt with the said one (1) share in such manner as Mr. Loh from time to time directed and voted at the shareholders' meeting and board of directors' meeting as Mr. Loh from time to time directed. On 6 October 2016, Gallant Empire acquired 99 shares of SK Target Holdings from Mr. Loh at the consideration of RM99 and acquired one (1) share of SK Target Holdings from Mr. Ng at the consideration of RM1. After the said transfers, SK Target Holdings became a wholly-owned subsidiary of Gallant Empire.

As at the Latest Practicable Date, SK Target Holdings was an investment holding company.

Target Precast

On 1 March 1993, Target Precast was incorporated in Malaysia under the name of "Target Fortune Sdn. Bhd." with an authorised capital of RM25,000 divided into 25,000 ordinary shares of RM1 each. On the same date, one (1) share was allotted and issued at par to Mr. Noor Asimah Bt Hazis, and another share was allotted and issued at par to Ms. Sharifah Zurillah Bt Syed Jhalil, both were initial subscribers. On 19 March 1993, Mr. Noor Asimah Bt Hazis transferred one (1) share of Target Precast to Mr. Loh at the consideration of RM1 and Ms. Sharifah Zurillah Bt Syed Jhalil transferred one (1) share to Mr. Yeoh Kwan Ho, an Independent Third Party, at the consideration of RM1. On the same date, Target Precast allotted and issued 4,999 shares to each of Mr. Loh and Mr. Yeoh Kwan Ho at par. After the said transfers and allotments, Target Precast was owned as to 50% by Mr. Loh and 50% by Mr. Yeoh Kwan Ho.

Target Precast was initially engaged in the development and production of precast concrete telecommunication junction boxes. In 2010, Target Precast expanded its product range to include electrical junction boxes. As at the Latest Practicable Date, Target Precast mainly manufactured and sold precast concrete junction box. The name of "Target Fortune Sdn. Bhd." was changed to "Target Precast Industries Sdn. Bhd." with effect from 5 July 2006.

On 23 May 1995, Target Precast further allotted and issued at par (i) 25,000 shares to Mr. Loh; (ii) 22,800 shares to Mr. Yeoh Guan Seng an Independent Third Party; (iii) 6,000 shares to Mr. Liu Chong Sin ("**Mr. Liu**") an Independent Third Party; and (iv) 56,200 shares to Mr. Yeoh Kwan Ho. After the said allotments, Mr. Loh, Mr. Yeoh Kwan Ho, Mr. Yeoh Guan Seng and Mr. Liu owned 30,000 shares, 61,200 shares, 22,800 shares and 6,000 shares of Target Precast, respectively.

On 8 April 2002, Mr. Liu transferred 6,000 shares, representing all of his shareholdings in Target Precast, to Mr. Loh at the consideration of RM18,000. After the said transfer, Mr. Loh, Mr. Yeoh Kwan Ho and Mr. Yeoh Guan Seng owned 36,000 shares, 61,200 shares and 22,800 shares of Target Precast, respectively.

On 8 September 2005, Target Precast further allotted and issued at par (i) 75,000 shares to Mr. Loh; (ii) 127,500 shares to Mr. Yeoh Kwan Ho; and (iii) 47,500 shares to Mr. Yeoh Guan Seng. After the said allotments, Mr. Loh, Mr. Yeoh Kwan Ho and Mr. Yeoh Guan Seng owned 111,000 shares, 188,700 shares and 70,300 shares of Target Precast, respectively.

On 21 December 2005, Mr. Yeoh Guan Seng transferred his 70,300 shares, representing all of his shareholding in Target Precast, to Mr. Loh at the consideration of RM70,300. After the said transfer, Target Precast was owned as to (i) 49% by Mr. Loh; and (ii) 51% by Mr. Yeoh Kwan Ho.

On 4 May 2006, Mr. Yeoh Kwan Ho transferred his 151,700 shares to Mr. Loh at the consideration of RM151,700, and 37,000 shares to Mr. Chew at the consideration of RM37,000. After the said transfers, Target Precast was owned as to (i) 90% by Mr. Loh; and (ii) 10% by Mr. Chew.

On 13 October 2006, Target Precast further allotted and issued 130,000 shares to Mr. Loh at par. After the said allotment, Target Precast was owned as to (i) 92.6% by Mr. Loh; and (ii) 7.4% by Mr. Chew.

On 23 May 2008, Mr. Chew transferred 37,000 shares, representing all of his shareholdings in Target Precast to Ms. Loh at the consideration of RM37,000. Pursuant to a declaration of trust executed by Ms. Loh on 14 December 2016, Ms. Loh confirmed, *inter alia*, that she held the 37,000 shares on trust for and on behalf of Mr. Loh with effect from 23 May 2008 and she dealt with these 37,000 shares in such manner as Mr. Loh from time to time directed and voted at the shareholders' meeting and board of directors' meeting as Mr. Loh from time to time directed.

On 8 March 2010, at the direction of Mr. Loh, Ms. Loh transferred the legal title of 32,000 shares in Target Precast to Mr. Loh at the consideration of RM32,000, and Ms. Loh still held 5,000 shares on trust for and on behalf of Mr. Loh.

As part of the Reorganisation, on 10 October 2016, (i) Ms. Loh, at the direction of Mr. Loh, transferred 5,000 shares, which were held on trust and on behalf of Mr. Loh, to SK Target Holdings at the consideration of RM5,000; and (ii) Mr. Loh transferred 495,000 shares to SK Target Holdings at the consideration of RM495,000. After the Reorganisation, Target Precast was a wholly-owned subsidiary of SK Target Holdings, details of which are set out in the section headed "Reorganisation" in this section.

Target S&M

On 8 February 2000, Target S&M was incorporated in Malaysia under the name of "Metro Stellar (M) Sdn. Bhd." with an authorised capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each. On the same date, one (1) share was allotted and issued at par to Mr. Zurin Bin Ahmad and another share was allotted and issued at par to Mr. Gan Yoke Siem, both were initial subscribers. The name of "Metro Stellar (M) Sdn. Bhd." was changed to "Target Sales & Marketing Sdn. Bhd." with effect from 14 August 2006. Since its incorporation and up to the Latest Practicable Date, Target S&M mainly trades junction box accessories and pipes.

On 17 February 2000, Mr. Zurin Bin Ahmad transferred his one (1) share to Ms. Woon at the consideration of RM1, and Mr. Gan Yoke Siem transferred his one (1) share to Mr. Toh Weng Keong, an Independent Third Party, at the consideration of RM1. After the said transfers, Target S&M was owned as to 50% by Ms. Woon and 50% by Mr. Toh Weng Keong.

On 3 May 2001, Mr. Toh Weng Keong transferred his one (1) share to Ms. Loh at the consideration of RM1. After the said transfer, Target S&M was owned as to 50% by Ms. Woon and 50% by Ms. Loh.

On 22 December 2005, Target S&M allotted 70,000 shares to Ms. Woon pursuant to the capitalisation of the loan owing by Target S&M to Ms. Woon in the sum of RM70,927.64.

On 6 August 2008, Ms. Woon transferred her 50,000 shares to Mr. Loh at the consideration of RM 50,000, while on 1 June 2009, Ms. Woon transferred her remaining 20,001 shares to Mr. Loh at the consideration of RM 20,001. After the said transfers, Mr. Loh and Ms. Loh owned 70,001 shares and one (1) share of Target S&M, respectively.

On 1 June 2009, Ms. Loh transferred her one (1) share to Ms. Josephine Choong Poh Yuen, a former director who had resigned on 25 September 2013, at the consideration of RM1.

On 5 August 2013, Mr. Loh transferred the legal title of his one (1) share to Ms. Loh at the consideration of RM1. Pursuant to a declaration of trust executed by Ms. Loh on 14 December 2016, Ms. Loh confirmed, *inter alia*, that she held the one (1) share on trust for and on behalf of Mr. Loh with effect from 5 August 2013 and she dealt with the said 1 share in such manner as Mr. Loh from time to time directed and voted at the shareholders' meeting and board of directors' meeting as Mr. Loh from time to time directed.

On 25 September 2013, Ms. Josephine Choong Poh Yuen transferred her one (1) share to Mr. Loh at the consideration of RM1. After the said transfers, Mr. Loh and Ms. Loh owned 70,001 shares and one (1) share (on trust for Mr. Loh) of Target S&M, respectively.

On 10 October 2016, as part of the Reorganisation, Mr. Loh transferred his 70,001 shares to SK Target at the consideration of RM 70,001, and Ms. Loh, at the direction of Mr. Loh, transferred her one (1) share to SK Target Holdings at the consideration of RM1. Upon completion of the Reorganisation, Target S&M became a wholly-owned subsidiary of SK Target Holdings, details of which are set out in the paragraphs headed "Reorganisation" in this section.

Since its incorporation and up to the Latest Practicable Date, Target S&M mainly engages in the trading of junction box accessories and pipes.

Target C&L

On 13 March 2012, Target C&L was incorporated in Malaysia under the name of "Target Crane & Machineries Sdn. Bhd." with an authorised capital of RM100,000 divided into 100,000 shares of RM1 each, of which 99 shares and one (1) share were allotted and issued at par to Mr. Loh and Ms. Josephine Choong Poh Yuen, a former director who had resigned on 25 September 2013, respectively. The name of "Target Crane & Machineries Sdn. Bhd." was changed to "Target Crane & Logistics Sdn. Bhd." with effect from 29 March 2013.

On 5 August 2013, Mr. Loh transferred one (1) share to Ms. Loh at the consideration of RM1. Pursuant to a declaration of trust executed by Ms. Loh on 14 December 2016, Ms. Loh confirmed, *inter alia*, that the one (1) share held by her was held on trust for Mr. Loh with effect from 5 August 2013 and she dealt with the said one (1) share in such manner as Mr. Loh from time to time directed and voted at the shareholders' meeting and board of directors' meeting as Mr. Loh from time to time directed. On 25 September 2013, Ms. Josephine Choong Poh Yuen transferred her one share to Mr. Loh at the consideration of RM1.

On 10 October 2016, as part of the Reorganisation, Mr. Loh transferred 99 shares of Target C&L to SK Target Holdings at the consideration of RM99, and Ms. Loh, at the direction of Mr. Loh, transferred her one (1) share to SK Target Holdings at the consideration of RM1. After the Reorganisation, Target C&L became a wholly-owned subsidiary of SK Target Holdings, details of which are set out in the paragraphs headed "Reorganisation" in this section below.

Since its incorporation and up to the Latest Practicable Date, Target C&L mainly provides mobile crane rental and ancillary services.

Loyal Earn

Loyal Earn was incorporated in Hong Kong with limited liability on 1 June 2016. On the date of incorporation, Loyal Earn allotted and issued as fully paid one (1) share (representing the entire issued share capital of Loyal Earn) to the initial subscriber, which was then transferred to Gallant Empire at the consideration of HK$1 on 28 July 2016.

Since its incorporation and up to the Latest Practicable Date, Loyal Earn mainly establishes a presence in Hong Kong.

PRE-IPO INVESTMENT

Background of the Pre-IPO Investor

Greater Elite is an investment holding company incorporated in the BVI with limited liability on 21 July 2016 and the shares of which are beneficially owned by Mr. Law. Mr. Law obtained his Bachelor degree in Engineering from McGill University in 1983 and a Master degree in Business Administration from University of British Columbia in 1985. He is a chartered accountant in Canada and a member of the Hong Kong Institute of Certified Public Accountants as well as a member of the Hong Kong Securities and Investment Institute. Mr. Law began his career in Canada with PricewaterhouseCoopers ("**PwC**"), and was subsequently transferred to PwC's Hong Kong office where he was responsible for providing audit services to various companies. He left PwC after five years and took up various senior management positions in a number of international banks in Hong Kong including (i) Standard Chartered Bank (Hong Kong) as chief financial officer of Technology Asia Division where he was responsible for reviewing the financial performance and preparing cost and budget of the division; (ii) Citibank (Hong Kong) as vice president of investment banking where he was responsible for developing new financial products; and (iii) National Australia Bank Asia as general manager of Greater China where he was responsible for overseeing the general operations of Greater China, whereby he got acquaintance with different investors and had built up a business network. He started his own investment and consulting firm in 2000, mainly investing in small businesses such as a private fast food chain in Shanghai and a private trading company in Hangzhou. Mr. Law got acquaintance with Mr. Loh in 2016 through a common friend, whereby Mr. Law expressed his interest in investing in the precast concrete junction box industry in Malaysia in light of the potential growth arising from the growth in construction works for utilities infrastructure in tandem. Apart from expanding the asset base of our Company with the Pre-IPO Investment, we can leverage Mr. Law's business connection worldwide, his extensive experience and knowledge in investments and the capital market in Hong Kong. Our Directors believe that Mr. Law will provide valuable business and corporate governance related advice to us alongside with our business expansion in the future.

Save as the Pre-IPO Investment, to the best knowledge and belief of the Directors, Greater Elite and Mr. Law, its ultimate beneficial owner, were Independent Third Parties. To the best knowledge and belief of our Directors, Greater Elite decided to invest in our Group as it was interested in and is optimistic about the business prospect of our Group. The investment of Greater Elite in our Group was financed out of its internal resources.

As confirmed by Greater Elite and Mr. Law, each of them has not invested in other listed companies as a pre-IPO investor nor has it/he acted as the Controlling Shareholder of other listed companies in Hong Kong.

Investment

On 3 August 2016, a subscription agreement was entered into between Greater Elite and Gallant Empire, pursuant to which Greater Elite agreed to subscribe for, and Gallant Empire agreed to allot and issue, 388 shares of Gallant Empire which are all credited as fully paid at the total subscription price of HK$15,000,000. The subscription price was arrived at after arm's length negotiations between Greater Elite and Gallant Empire and taking into account of the respective unaudited net asset value of Target Precast, Target S&M and Target C&L (the wholly-owned subsidiaries of Gallant Empire after the Reorganisation) as at 31 May 2016. The said 388 shares were properly and legally allotted and issued on 11 November 2016. After the said allotment, Gallant Empire was owned as to 72.05% by Merchant World and 27.95% by Greater Elite.

Set out below is a summary of the details for the Pre-IPO Investment mentioned above:

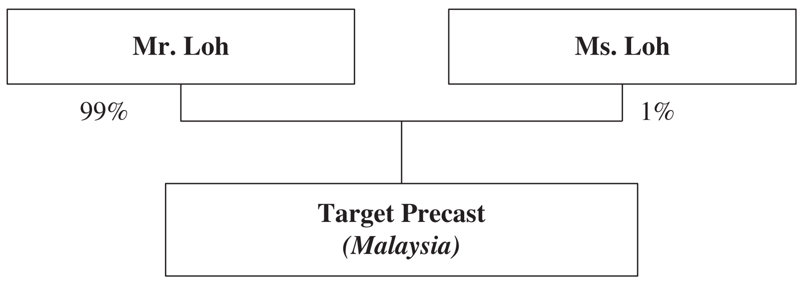
Name of pre-IPO investor:	Greater Elite
Date of subscription agreement:	3 August 2016
Subscription price:	HK$15,000,000
Payment dates of subscription price:	2 September 2016 for HK$2,000,000 15 September 2016 for HK$2,000,000 19 September 2016 for HK$1,000,000 3 November 2016 for HK$50,000 11 November 2016 for HK$9,950,000
Number of shares of Gallant Empire subscribed:	388 shares (representing approximately 27.95% of the total issued share capital of Gallant Empire upon completion of the Pre-IPO Investment)
Shareholding in our Company immediately after completion of the Share Offer and the Capitalisation Issue:	Approximately 19.84%
Investment cost per Share on the basis of the enlarged share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue and discount to mid-point of the Offer Price range:	Approximately HK$0.12, representing approximately 57.1% discount to the mid-point of the indicative Offer Price range
Use of proceeds:	Working capital of our Group *(Note)*
Strategic benefits that the pre-IPO investor will bring to our Group:	Our Directors believe that the investment made by Greater Elite, as a shareholder of our Company, will bring strategic benefits to our Group by providing financing and strategic advice to our Group's businesses
Special rights:	Nil
Lock-up:	The Shares held by Greater Elite are subject to a lock-up period of twelve months from the Listing Date

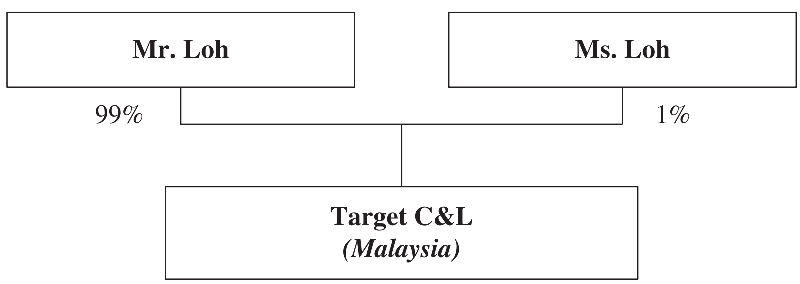
Note: As at the Latest Practicable Date, approximately 82% out of the net proceeds from the Pre-IPO Investment has been utilised.

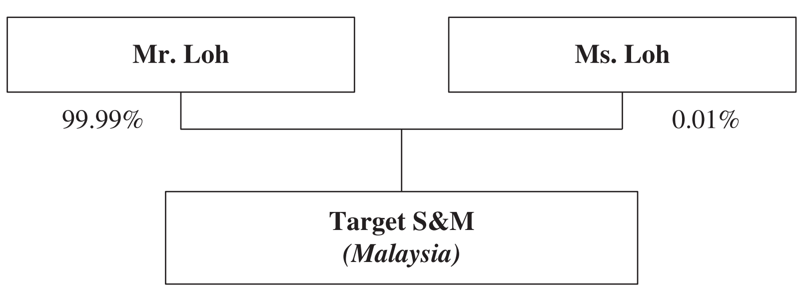
The Sole Sponsor has confirmed that the Pre-IPO Investment is in compliance with the Interim Guidance on Pre-IPO Investment issued on 13 October 2010 by the Stock Exchange and the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 by the Stock Exchange based on their review of relevant documents.

REORGANISATION

The following charts set forth the corporate and shareholding structure of our Group prior to the Reorganisation:







In preparation for the Listing, our Group carried out the Reorganisation which involved the following steps:

(1) On 5 July 2016, Gallant Empire was incorporated in BVI with limited liability. For details of Gallant Empire, please refer to the paragraph headed "Establishment and development of our Company and its major subsidiaries – Gallant Empire" of this section.

(2) On 3 August 2016, a subscription agreement was entered into between Greater Elite and Gallant Empire, pursuant to which Greater Elite agreed to subscribe for, and Gallant Empire agreed to allot and issue, 388 shares of Gallant Empire which are all credited as fully paid at the total subscription price of HK$15,000,000. The said 388 shares were properly and legally allotted and issued on 11 November 2016. After the said allotment, Gallant Empire was owned as to 72.05% by Merchant World and 27.95% by Greater Elite.

(3) On 24 August 2016, SK Target Holdings was incorporated in Malaysia with limited liability as a wholly-owned subsidiary of Gallant Empire. For details of SK Target Holdings, please refer to the paragraph headed "Establishment and development of our Company and its major subsidiaries – SK Target Holdings" of this section.

(4) On 28 October 2016, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of incorporation, our Company had an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, of which one (1) Share was allotted and issued as fully paid to the initial subscriber at par, which was then transferred to Merchant World (a BVI company wholly and beneficially owned by Mr. Loh) on the same date.

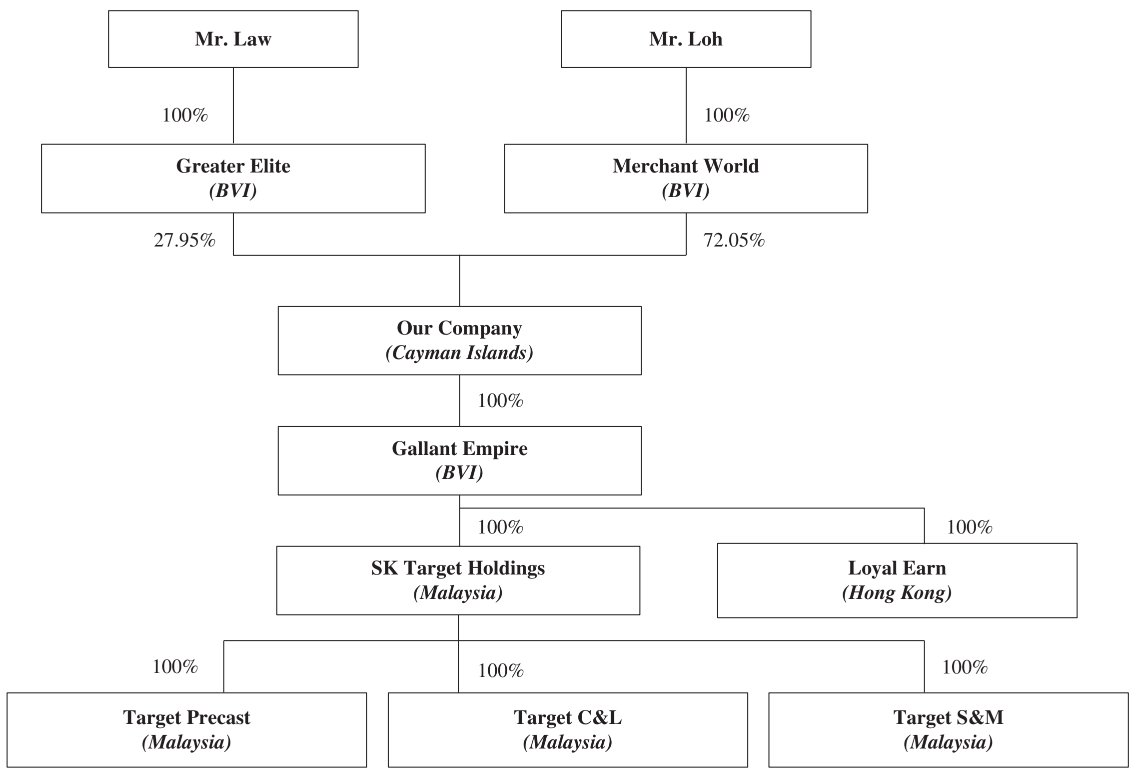
(5) On 10 October 2016, as part of the Reorganisation, SK Target Holdings acquired 495,000 shares of Target Precast from Mr. Loh at the consideration of RM495,000 and acquired 5,000 shares of Target Precast from Ms. Loh at the consideration of RM5,000. After the said transfers, Target Precast became a wholly-owned subsidiary of SK Target Holdings.

(6) On 10 October 2016, as part of the Reorganisation, SK Target Holdings acquired 70,001 shares of Target S&M from Mr. Loh at the consideration of RM70,001 and acquired one (1) share of Target S&M from Ms. Loh at the consideration of RM1. After the said transfers, Target S&M became a wholly-owned subsidiary of SK Target Holdings.

(7) On 10 October 2016, as part of the Reorganisation, SK Target Holdings acquired 99 shares of Target C&L from Mr. Loh at the consideration of RM99 and acquired one (1) share of Target C&L from Ms. Loh at the consideration of RM1. After the said transfers, Target C&L became a wholly-owned subsidiary of SK Target Holdings.

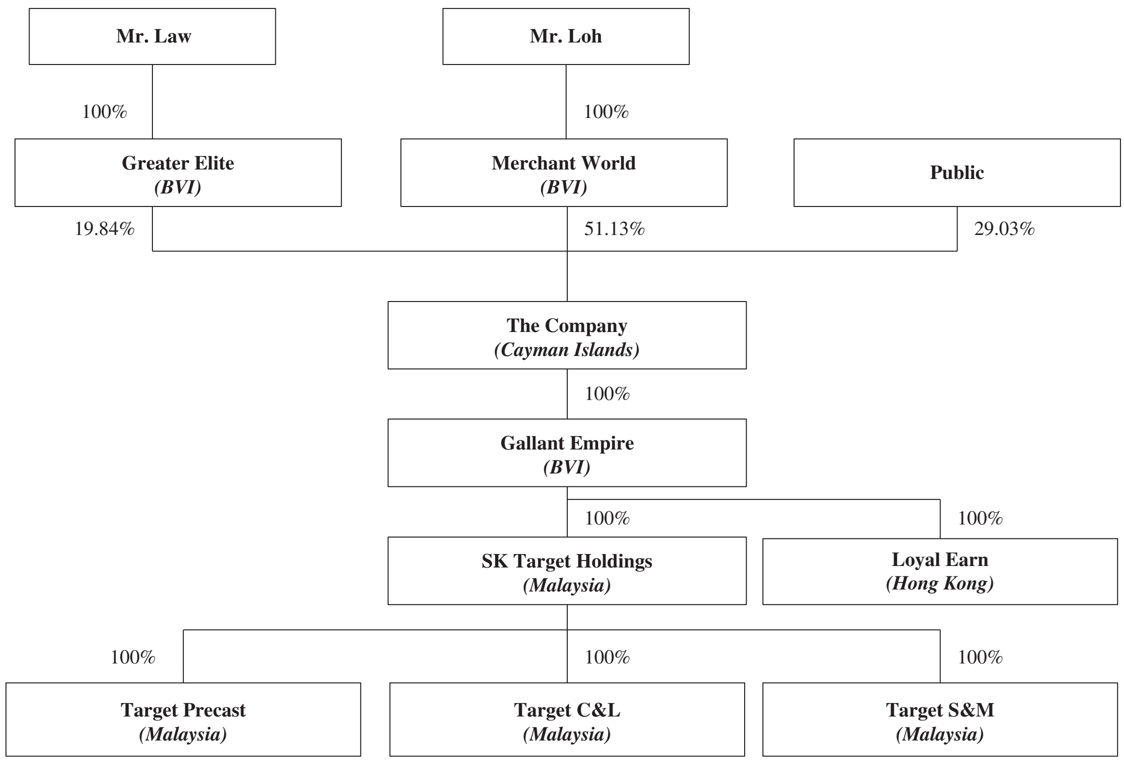
(8) On 11 November 2016, Merchant World and Greater Elite transferred 1000 and 388 shares of Gallant Empire to our Company respectively, and in consideration thereof, our Company allotted and issued as fully paid an additional 7,204 Shares to Merchant World and 2,795 Shares to Greater Elite, all credited as fully paid, on 11 November 2016. After the said transfers, Gallant Empire became a wholly-owned subsidiary of our Company.

Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the Share Offer and the Capitalisation Issue:



Conditional upon the share premium account of our Company being credited with the proceeds of the Share Offer, certain amounts standing to the credit of the share premium account of our Company will be capitalised and applied in paying up in full such number of Shares for allotment and issue to its shareholders, i.e. Merchant World and Greater Elite, in proportion to their respective shareholdings prior to the commencement of trading and dealing of the Shares on GEM, and the number of Shares so allotted and issued, together with the number of Shares already owned by them, will constitute approximately 71.0% of the total issued share capital of our Company. For details of the Capitalisation Issue, please refer to the section headed "Statutory and General Information – A. Further information about our Company and our subsidiaries – Written resolutions of the Shareholders" in Appendix IV to this prospectus.

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



OVERVIEW

We manufacture and sell precast concrete junction boxes under the brand of "Target" in Malaysia. Our precast concrete junction boxes are used for telecommunication and electrical infrastructures upgrade and expansion works or in construction projects in Malaysia. We have more than 20 years of experience in the precast concrete junction box industry and all our operations are based in Malaysia. According to the Ipsos Report, we ranked first in the precast concrete junction box industry in terms of revenue in Malaysia in 2015 with a market share of approximately 28.3%. To complement our business in the manufacture and sale of precast concrete junction boxes, we also trade junction box accessories and pipes and provide mobile crane rental and ancillary services.

Manufacturing and selling of precast concrete junction boxes. We manufacture and sell two types of precast concrete junction boxes, namely (i) precast concrete telecommunication junction boxes; and (ii) precast concrete electrical junction boxes.

Our precast concrete junction boxes. Precast concrete junction boxes are concrete boxes buried beneath roads, concealed from sight and are used to house and protect a junction with telecommunication and electric utility connections and distribution access points from weather conditions, changing elevation in underground condition and provide easy access for maintenance. Our precast concrete junction boxes come in a variety of standard sizes and dimensions customarily specified by large-scale and notable telecommunication companies or TNB. We also customise our junction boxes according to the needs of individual customers. Our standard precast concrete telecommunication junction boxes and standard precast concrete electrical junction boxes are categorised into "heavy duty" and "light duty" in terms of their respective loading strength to cater for different volumes of road traffic at the site. In respect of our standard precast concrete telecommunication junction boxes, we have 17 major models in terms of their dimensions for accommodating different number of duct ways. On the other hand, our standard precast concrete electrical junction boxes have five models based on their dimensions and usage. Some models can be further divided into different options in terms of their loading design.

Our production plant and production capacity. During the Track Record Period and up to the Latest Practicable Date, we manufactured all our precast concrete junction boxes in our Existing Selangor Plant. The production capacity of our Existing Selangor Plant as at 31 May 2015, 31 May 2016 and 28 February 2017 was approximately 24,186 m^3, 23,316 m^3 and 17,487 m^3 ready-mix concrete used per year, respectively, and the utilisation rate of which had reached approximately 57.9%, 84.8% and 83.1%, respectively. We plan to further increase our production capacity by expanding our Existing Selangor Plant and completing the establishment of our New Kulaijaya Plant.

Our growth. We experienced significant growth during the Track Record Period. Our revenue increased from approximately RM23.2 million for FY2015 to approximately RM33.3 million for FY2016, representing an increase of approximately 43.7%. Our profit after tax increased from approximately RM3.8 million for FY2015 to approximately RM4.9 million for FY2016, representing an increase of approximately 27.3%. The following table sets forth the breakdown of our revenue by business categories during the Track Record Period:

	Year ended 31 May				Nine months ended			
	2015		2016		29 February 2016		28 February 2017	
	RM'000	%	*RM'000*	%	*RM'000* (unaudited)	%	*RM'000*	%
Manufacturing and sale of precast concrete junction boxes	20,521	88.6	29,089	87.4	21,256	87.3	21,063	85.9
Trading of junction box accessories and pipes	1,790	7.7	3,862	11.6	2,840	11.7	3,254	13.3
Provision of mobile crane rental and ancillary services	854	3.7	330	1.0	244	1.0	203	0.8
Total	23,165	100.0	33,281	100.0	24,340	100.0	24,520	100.0

Our customers. As we are a registered or approved supplier of precast concrete junction boxes for most large-scale and notable telecommunication companies and TNB, our products can be used and applied to telecommunication or electrical infrastructure upgrade and expansion works and construction projects involving telecommunication companies or TNB. Our customers therefore mainly include infrastructure companies, construction companies, general contractors, mechanical or electrical contractors or sub-contractors and traders of telecommunication or electrical materials in Malaysia. During the Track Record Period, our five largest customers accounted for approximately 17.0%, 21.4% and 21.9% of our total revenue for FY2015, FY2016 and the nine months ended 28 February 2017, respectively, and our largest customer accounted for approximately 5.7%, 4.7% and 5.4% of our total revenue during the corresponding periods.

Major raw materials and our suppliers. The major raw materials used in our production of precast concrete junction boxes include ready-mix concrete, junction box covers and steel bars. Purchases from our five largest suppliers accounted for approximately 57.3%, 66.1% and 48.7% of our total purchases for FY2015, FY2016 and the nine months ended 28 February 2017, respectively, and our largest supplier accounted for approximately 17.9%, 18.4% and 12.1% of our total purchases during the corresponding periods.

Outlook of our Group. Going forward, we plan to expand our production capacity to meet the increasing future demand for precast concrete junction boxes in Malaysia. We also aim to expand our business vertically by acquiring companies which manufacture junction box covers and other accessories in Malaysia and diversify the customer base for our precast concrete telecommunication junction boxes and our precast concrete electrical junction boxes by penetrating our sales into other regions of Malaysia. Our future plans will help us sustain and capitalise on the growth opportunities available to our Group in the precast concrete junction box industry.

COMPETITIVE STRENGTHS

Our Directors believe our Group possesses the following competitive strengths:

We have an established operating history and proven track record

Our history can be traced back to 1993 when Mr. Loh and Mr. Yeoh Kwan Ho established Target Precast, formerly known as "Target Fortune Sdn. Bhd.", which pioneered the development and manufacturing of precast concrete junction boxes and promoted the use of precast concrete junction boxes in the construction industry as a substitute for the traditional cast-in-situ junction boxes.

In 2000, we expanded our business to the trading of precast concrete junction box accessories and pipes. We believe that our long-term presence in the precast concrete junction box industry gives our customers confidence in the quality of our products and services.

During the Track Record Period, our Group supplied precast concrete junction boxes across different regions of Malaysia. According to the Ipsos Report, we ranked first in the precast concrete telecommunication junction box and electrical junction box manufacturing industry in terms of revenue in Malaysia in 2015 with a market share of approximately 28.3%. Our Directors believe that we have a good reputation in the industry. Our ability to satisfy our customers' requirements and provide customised precast concrete junction boxes also gives us a competitive edge when attracting future business opportunities.

We are a registered or approved supplier of precast concrete junction boxes to most of the notable and large-scale telecommunication companies and TNB

We have obtained registrations for certain models of our standard precast concrete junction boxes (which are mainly heavy duty precast concrete junction boxes) with SIRIM in relation to the quality of our products since 2005, which signifies that our product quality is in accordance with the standards required by SIRIM. Since 2008, our Group has become a registered supplier of telecommunication materials and precast concrete junction boxes to various notable and large-scale telecommunication companies in Malaysia such as Celcom and Telekom. We have also supplied precast concrete junction boxes to Maxis since 2010 and have been an approved supplier of TNB since 2012. The above registrations and approvals give us a competitive edge and an advantage in securing purchase orders for our precast concrete junction boxes, as our products can be used and applied to the telecommunication and electrical infrastructure upgrade and expansion works and construction projects involving these telecommunication companies and TNB, for the sake of compliance with the relevant standards introduced and implemented by these telecommunication companies and TNB.

We offer high quality precast concrete junction boxes of different sizes and loading strengths

Our Directors believe that the quality of our products is essential to maintaining the reputation of our Group. We have established a comprehensive QMS that has been accredited to ISO 9001:2008 since July 2007 to demonstrate our ability to consistently provide products that meet customer and applicable statutory and regulatory requirements.

As at the Latest Practicable Date, we offered two types of standard precast concrete telecommunication junction boxes and two types of standard precast concrete electrical junction boxes in terms of their respective loading strength to cater for different volumes of traffic at the site. In respect of our standard precast concrete telecommunication junction boxes, we have 17 major models in terms of their dimensions for accommodating a different number of duct ways. At the same time, we have five major models of standard precast concrete electrical junction boxes in terms of their dimensions and usage, of which a major model can be used in conjunction with different junction box covers resulting in varying loading strengths of the junction boxes. Some major models can be further divided into different options in terms of their loading design. We also offer junction box accessories and pipes which are sourced from suppliers.

By offering a wide range of standard precast concrete junction boxes, coupled with our ability to provide customised precast concrete junction boxes and source junction box accessories and pipes from third party suppliers, we can accommodate different customer requirements for precast concrete junction boxes both effectively and efficiently and enhance our customers' satisfaction on our products.

Not only is the quality of our products well-reflected by our registrations and approvals from most of the notable and large-scale telecommunication companies and TNB in Malaysia, it is also recognised publicly by the awards we obtained in the past few years. In 2014, our Group was awarded the Sin Chew Product and Service Quality Excellence Award from Sin Chew Daily, Malaysia, a leading Chinese-language newspaper in Malaysia, which acknowledged our business growth as well as the quality of our products. In 2015, we were awarded the SME Product Excellence Award from the SME Association of Malaysia as one of the companies that commercialise and produce outstanding made-in-Malaysia products.

We have an experienced and professional management team

Mr. Loh, our executive Director and founder, has over 20 years of experience in the precast concrete junction box industry. Mr. Loh's experience in handling ready-mix concrete and addressing the issues relating to the traditional cast-in-situ method of building junction boxes has allowed our Group to gain a better understanding and insight of the manufacturing of precast concrete junction boxes. His experience and leadership will continue to play a key role in the future growth of our Group. Based on the experience of Mr. Loh and the members of our senior management, we are able to plan our production schedule in respect of our precast concrete junction boxes on a bi-weekly basis in order to satisfy our customers' purchase orders for precast concrete junction boxes on a timely basis. With our experience in the industry, not only are we able to provide customised precast concrete junction boxes, we also advise our customers on the size, capacity and loading design of the precast concrete junction boxes. Furthermore, Mr. Loh is supported by our executive Director, Mr. Tan, who is responsible for business development activities of our Group.

In addition, our Group has a dedicated and experienced senior management team. In particular, Mr. Phang Xue Zun, our chief project officer, who is responsible for providing pre-sales support to our customers and handling technical supporting activities with our sales and marketing team, has been working in the precast concrete junction box industry for over 10 years and has a thorough understanding and knowledge in respect to the skills and procedures involved in the production of our precast concrete junction boxes. Please refer to the section headed "Directors, Senior Management and Employees" of this prospectus for the biographical details of our executive Directors and senior management.

Attributed to the experience and technical knowledge of our executive Directors and senior management team, our Directors believe that we are able to remain competitive and well-positioned in competing for and securing purchase orders.

BUSINESS STRATEGIES

Our principal business objectives are to achieve sustainable growth, further strengthen our position in the precast concrete junction box industry in Malaysia, and create long-term value for our Shareholders by executing the following key strategies:

Expand our production capacity at our Existing Selangor Plant and complete the establishment of New Kulaijaya Plant

According to the Ipsos Report, the total revenue of the precast concrete junction box industry is expected to continue to grow at a CAGR of approximately 8.1% between 2016 and 2019 from approximately RM129.7 million in 2016 to approximately RM163.7 million in 2019. This is expected to be driven by infrastructure developments in Southern Malaysia, government led telecommunication and electricity distribution infrastructure developments and the advantages of precast concrete structures against cast-in-situ concrete structures. Based on the expected growth of the precast concrete telecommunication junction box and electrical junction box manufacturing industry in Malaysia, the growth of our revenue during the Track Record Period, our existing stable customer base, coupled with the utilisation rate of our Existing Selangor Plant had reached approximately 83.1% for the nine months ended 28 February 2017. Our Directors expect that our existing production capacity will be fully utilised by the end of 2017. Therefore, it is imperative for us to enhance our production capacity in order to stay competitive in the industry, capture business opportunities and optimise our profitability. Furthermore, our Directors believe that we are well-positioned to implement the expansion plan of our production capacity, which in the opinion of our Directors, would be able to accommodate the estimated increase in demands of our existing and new customers in the future.

In light of the above, we plan to expand our production capacity by (i) upgrading our existing machineries and equipment; (ii) acquiring additional machineries and equipment and moulds; and (iii) completing the establishment of our New Kulaijaya Plant in Southern Malaysia.

(i) Expansion of our Existing Selangor Plant

Increase the production area within our Existing Selangor Plant. As at the Latest Practicable Date, our Existing Selangor Plant was divided into different sections, such as a steel caging area and welding area. Of the total area of 8,094 m^2, an area of approximately 680.0 m^2 of our Existing Selangor Plant has been designated as the production area. To expand our production capacity, we intend to increase our production area by 120 m^2 and acquire one additional crane with gantry foundation by the end of the third quarter of 2017.

Upgrading of existing machineries and equipment. The majority of our existing machineries and equipment at our Existing Selangor Plant have been used for half of their useful life and will have to be upgraded in order to maintain functionality and prolong their useful life. As such, we intend to use approximately RM0.2 million for upgrading the existing machineries and equipment which will be financed from the net proceeds of the Share Offer.

Purchase of machineries, equipment and vehicles. Based on the preliminary quotations obtained by us, we estimate that the capital expenditure for the acquisition of new machineries and equipment and junction box moulds will be approximately RM3.7 million which will be financed from the net proceeds of the Share Offer. We plan to purchase an electrostatic precipitator to enhance the environmental protection of our Existing Selangor Plant.

Particulars of additional machineries, equipment and junction box moulds and their estimated capital expenditure for the expansion of our Existing Selangor Plant are as follows:

Machineries, equipment, vehicles and junction box moulds	Number	Estimated capital expenditure *(RM'000)*
Cranes with gantry foundation	1	300
Lorry crane	2	1,200
Mobile cranes	2	1,038
Electrostatic precipitator	1	522
Junction box moulds *(Note)*		600
Total		**3,660**

Note: Part of the new junction box moulds will replace the existing junction box moulds which had been worn out.

We expect the machineries, equipment and junction box moulds for the expansion of our Existing Selangor Plant to be delivered to us in phases by the end of November 2018.

Recruitment of staff. Following the expansion of our Existing Selangor Plant, we will recruit one supervisor and five production workers for our production team, to align with our increased production capacity.

Production capacity. We expect that after completing the expansion of our Existing Selangor Plant, the estimated production capacity of the Existing Selangor Plant will be increased to approximately 27,430 m^3 ready-mix concrete used per year. The estimated annual production capacity of the Existing Selangor Plant is proportional to its original production area.

(ii) Completion the establishment of our New Kulaijaya Plant

Our Existing Selangor Plant is currently our only production plant located in Selangor in Central Malaysia. Based on the delivery locations of our products, approximately 49.0%, 43.2% and 48.8% of our revenue was generated from Central Malaysia during the Track Record Period and approximately 33.2%, 34.7% and 34.0% of our revenue was generated from Southern Malaysia during the corresponding periods. Hence, Southern Malaysia was our second largest market during the Track Record Period. Owing to the long distance between Selangor and Southern Malaysia, the transportation cost (or freight charges) of our precast concrete junction boxes from our Existing Selangor Plant to other regions of Malaysia is relatively high, resulting in an increase in the cost of our precast concrete junction boxes and delivery time of our products to our customers in Southern Malaysia. For FY2015, FY2016 and the nine months ended 28 February 2017, our transportation cost (freight charges) amounted to approximately 8.9%, 9.6% and 9.2% of our total costs of sales, respectively.

The establishment of the New Kulaijaya Plant will enable us to expand our current operations in Southern Malaysia. Furthermore, it will facilitate our business growth. According to the Ipsos Report, there will be further developments in Southern Malaysia such as the Johor Affordable Housing Project, with the Malaysian state government targeting to build 60,000 units of affordable houses by 2020, and key infrastructure projects such as the Sungai Besi – Ulu Kelang Elevated Expressway and Damansara – Shah Alam Highway which are key future drivers for the growth of the precast concrete junction box industry in Malaysia. As more construction projects and infrastructure projects are expected to take place in Southern Malaysia, our Directors reasonably believe that having a production plant located there would not only save our transportation cost (freight charges), but also put us in an advantageous position to solicit projects in Southern Malaysia and build up close relationships with our customers and other mechanical and electrical consultants and contractors in the southern region, who are potential customers. Our Directors believe that we would also be able to respond faster to our customers' requests with a production plant in the same region. After taking into consideration the weather and availability of workers and construction materials, the estimated timetable for the construction of our New Kulaijaya Plant is as follows:

	2017				**2018**			
	Quarter							
Implementation	1	2	3	4	1	2	3	4
Civil construction	—							
Installation of equipment		—	—	—	—	—	—	—
Recruitment and training of staff		—	—	—	—	—	—	—
Commence production by phase			—	—	—	—	—	—

The estimated total investment costs to establish the New Kulaijaya Plant on the current leased land is approximately HK$10.7 million. A detailed breakdown of the investment costs of the New Kulaijaya Plant with the amounts incurred or to be incurred and the source of funding is as follows:

Implementation activities	Up to the Latest Practicable Date *HK$'000* *(Note 1)*	From the Listing Date to 30 November 2017 *HK$'000* *(Note 2)*	From 1 December 2017 to 31 May 2018 *HK$'000* *(Note 2)*	From 1 June 2018 to 30 November 2018 *HK$'000* *(Note 2)*	From 1 December 2018 to 31 May 2019 *HK$'000* *(Note 2)*	From 1 June 2019 to 30 November 2019 *HK$'000* *(Note 2)*	Total *HK$'000*
Purchase of plant and machinery	917	N/A	N/A	N/A	N/A	N/A	917
Purchase of office equipment	4	N/A	N/A	N/A	N/A	N/A	4
Factory renovation	377	N/A	N/A	N/A	N/A	N/A	377
Building factory cabin	16	N/A	N/A	N/A	N/A	N/A	16
Purchase of crane with gantry foundation, lorry cranes, mobile cranes, forklift and junction box moulds	N/A	2,427	2,427	2,427	N/A	N/A	7,281
Recruitment of staff	N/A	95	399	539	539	565	2,137
Total	1,314	2,522	2,826	2,966	539	565	10,732

Notes:

(1) Already incurred and financed by our Group's internal resources.

(2) To be financed by the net proceeds from the Share Offer.

In December 2015, we leased a parcel of land situated at Plot A of land held under GM865, Lot 2945 in the Mukim Senai, District Kulaijaya, State of Johor, Malaysia with a land area of 8,100 m^2 for a term of three years up to 30 November 2018 with an option to renew for a further three years at a pre-determined renew rental, partly for storing of our precast concrete junction boxes to satisfy the purchase orders from our customers located in Southern Malaysia. At the same time, we commenced the preparatory work for setting up our New Kulaijaya Plant on the said parcel of land in December 2015, of which 200 m^2 will be used for the production of precast concrete junction boxes while the remaining areas will be used for storing of junction box moulds, warehousing, steel caging, welding and ancillary office, etc. As at the Latest Practicable Date, we completed the civil construction works including land levelling, setting up of a cabin office, and application, installation and connection of electricity supply and water supply for our New Kulaijaya Plant, and we acquired two 10-ton single girder c-shaped cranes for use in our New Kulaijaya Plant. We obtained the business licence of the New Kulaijaya Plant in January 2017 and the temporary building permit in respect of the non-permanent structures thereon, such as the cabin office of our New Kulaijaya Plant in September 2016 for a term of one year and to be renewed on a yearly basis, which allows us to construct an administrative office and hostel on the parcel of land. We are currently in the course of applying for the manufacturing licence of the New Kulaijaya Plant and expect to obtain such licence in or around July 2017. We plan to commence operation of our New Kulaijaya Plant by phase in the third quarter of 2017 after completion of a trial run.

Acquisition of machineries, equipment, vehicles and junction box moulds. We will acquire additional crane with gantry foundation, forklifts, lorry cranes and junction box moulds. We estimate the capital expenditure to be approximately RM4.0 million, which is based on the preliminary quotations obtained by us and will be financed by the net proceeds of the Share Offer.

Particulars of additional machineries, equipment, vehicles and junction box moulds we intend to acquire for our New Kulaijaya Plant are as follows:

Machineries, equipment, vehicles and junction box moulds	**Number**	**Estimated capital expenditure** *(RM'000)*
Crane with gantry foundation	1	300
Forklift	1	100
Lorry crane	2	1,200
Junction box moulds		2,400
Total		**4,000**

We expect the machineries, equipment, vehicles and junction box moulds for our New Kulaijaya Plant to be delivered and installed to us by phases up to November 2018.

Recruitment of staff. We are in the progress of recruiting one engineer, three supervisors and 20 production workers in order to align with our enlarged production capacity.

Production capacity. We expect that after completion of the our New Kulaijaya Plant, its estimated annual production capacity will be approximately 6,770 m^3 ready-mix concrete used per year. This estimated annual production capacity of our New Kulaijaya Plant is calculated based on one session per day, and 312 working days per year, 21.7 m^3 maximum concrete used per day. In anticipation of our future growth in business operation and capacity, it is inevitable for us to expand our production capacity by setting up a New Kulaijaya Plant in Southern Malaysia.

Acquisition of the parcel of land in Southern Malaysia on which our New Kulaijaya Plant is situated or a parcel of land in its peripheral area

To continue to explore and capture the growth opportunities in Southern Malaysia and expand our market share through the strategic expansion of our production capacities in Southern Malaysia, we contemplated acquiring the parcel of land on which our New Kulaijaya

Plant is situated or in its peripheral areas. As the area where our New Kulaijaya Plant is situated is relatively rural, it has taken us almost one year to carry out the preparatory work for setting up our New Kulaijaya Plant, such as the application, installation and connection of electricity supply and water supply. Production in our New Kulaijaya Plant would be adversely affected if the landlord refuses to continue to lease the land to us though the current lease will expire in 2018 with an option to renew for a further term of three years at the pre-determined renew rental.

In January 2017, we started preliminary discussions with the landlord of our New Kulaijaya Plant for the acquisition of the parcel of land on which our New Kulaijaya Plant is situated and the progress is smooth and positive so far. In the unlikely event that the discussion does not proceed as smoothly as we expect, we will look for other parcels of land in the vicinity as an alternative. As such, the site area of the parcel of land to be acquired and the number of phases over which the land is to be acquired will be subject to further negotiation and the confirmation of the potential seller and us. On the other hand, we had considered acquiring the parcel of land where our Existing Selangor Plant is situated but the landlord of which indicated that he had no intention to dispose of the parcel of land in the near future.

Our Directors take the view that, after making all reasonable enquiries, the acquisition cost for the parcel of land, will be approximately RM4.6 million, which will be financed from the net proceeds of the Share Offer. Our Directors consider that the estimated investment payback period for the parcel of land, being the time (in terms of number of months) it would take to earn the estimated accumulated net profit (after taxation) generated from the New Kulaijaya Plant from the commencement of its operation on the parcel of land to cover the investment costs of the land, is approximately 36.1 months.

Reasons for shifting to operating on self-owned land

Currently, both our Existing Selangor Plant and New Kulaijaya Plant are situated on leased land. If we cannot renew any or both of the leases, we would have to relocate our production plant to a new area and carry out all necessary preparatory works and apply for all requisite licences again, which, as expected by our Director, will take at least 12 months (including the time for land levelling and applying the requisite approvals and licences) and would thus cause material disruption to our production process. As such, our Directors plan to utilise part of the proceeds from the Share Offer to acquire a parcel of land in Southern Malaysia to establishment a permanent production plant in order to minimise the suspension of our production caused by the termination of lease agreements. Our Directors are of the view that without the proceeds from the Share Offer, our Group will not be able to afford land acquisition for the time.

Analysis of the comparison between the "lease" model and the "own" model

As compared to operating a production plant on a leased land, operating a production plant on a self-owned land would have the following advantages and disadvantages:

Advantages:

- *Minimise uncertainties to our business*

  The proposed acquisition of the land of the New Kulaijaya Plant or the alternative plan of acquiring the land within the vicinity of our New Kulaijaya Plant would allow us to (a) minimise the likelihood of any material disruption or temporary suspension to our business and operations in the Southern Malaysia; (b) avoid incurring additional costs for relocation in the event the lease renewal is declined; and (c) protect us from any abrupt increase in rentals upon renewal of leases in the future.

- *Improve our operating cash flow*

  Operating a production plant on self-owned land would help improve the operating cash flow of our Group in the long run by eliminating our Group's rental expenses for the leased land.

- *Enhance our Group's ability to secure bank loans*

  Currently, most banks require collaterals, such as cash deposit, lands or properties, and/or guarantees from our Controlling Shareholders in order to secure bank borrowings for our Group. As such, our Directors are of the view that owning a parcel of land will strengthen our bargaining power to negotiate more favourable terms for future bank borrowings.

- *Benefit from any appreciation in the value of the land*

  By having a self-owned land, we can benefit from any appreciation in its value. On the other hand, a long-term lease agreement would remain a burden on our business as the lease agreement is locked and the rental expenses are fixed for several years.

Disadvantages:

- *Land price is subject to fluctuation*

  The price of our self-owned land will be affected by a number of factors, such as economic conditions, its location, the surrounding areas and market demand. Hence, if the land price is lower than our acquisition cost due to the factors mentioned above, our financial position may be adversely affected.

- *Capital expenditure for land acquisition may affect our steady cash flow profile*

  Furthermore, owing to the capital expenditure incurred for the acquisition of the land, which is mainly a one-time significant cash payment, we may encounter difficulty in maintaining a steady cash flow profile and we may not have sufficient capital to fund our other capital needs or to save capital for a better capital investment decision in the future.

Conclusion:

We had considered acquiring the land where our Existing Selangor Plant is situated. However, the landlord indicated that he had no intention of disposing the parcel of land in the near future, and our Directors are of the view that it is more commercially viable for our Group to continue to operate our Existing Selangor Plant on the leased land. For further details, please refer to the paragraph headed "Business – Business strategies – Comparison between setting up a new plant at Southern Malaysia and expansion of the Existing Selangor Plant" in this section. On the other hand, our Directors are contemplating to acquire the parcel of land where our New Kulaijaya Plant is situated and have commenced preliminary discussions with the landlord of our New Kulaijaya Plant and the progress has been smooth and positive so far. However, in the unlikely event that the discussion does not proceed as smoothly as we expect, we will look for other parcels of land in the vicinity as an alternative. Up to the Latest Practicable Date, as the discussion is still ongoing, we have not identified any alternative parcels of land. Given there is sufficient supply of land in the Southern Malaysia, including the region in which our New Kulaijaya Plant is situated, our Directors take the view that it would not cause any difficulty for us to identify an alternative land, which should be readily available in the vicinity for the establishment of the New Kulaijaya Plant if the land acquisition plan does proceed as expected.

According to our Malaysian Legal Advisers, save for the acquisition cost, no other material costs will be incurred under the "own" model. Thus, in light of the above analysis, our Directors are of the view that the "own" model is better; in particular, the land where our New Kulaijaya Plant is situated is a freehold land which has an unlimited useful life and is not subject to amortisation. In addition, the proposed acquisition of the land of the New Kulaijaya Plant or the alternative plan of acquisition of land in the region of Johor, which is of close proximity to our New Kulaijaya Plant, would enable our Group to reduce its cash outflow by approximately RM120,000 (rental charge based on the latest lease agreement) per annum.

Commercial rationale of the alternative plan, i.e. acquisition of land within the region of Johor which is at close proximity to our New Kulaijaya Plant

If the landlord of our New Kulaijaya Plant declines to sell the land to us, due to whatever reasons, we would look for a parcel of land within the region of Johor, which is of close proximity to it. According to our Directors, the relocation cost is expected to be minimal due to its close proximity to the New Kulaijaya Plant.

Comparison between setting up a new plant in Southern Malaysia and expansion of the Existing Selangor Plant

Before we plan to acquire a parcel of self-owned land in Southern Malaysia, we have considered the feasibility of further expanding our Existing Selangor Plant by setting up a new factory thereon. Our Directors concluded that, it may not be commercially feasible for us to set up a new factory on the parcel of land where our Existing Selangor Plant is situated or acquire a new parcel of land in the vicinity due to the following reasons:

(i) based on the initial quotations obtained by our Directors, the unit market price of land in Central Malaysia is approximately 3.5 times of that in Southern Malaysia and thus, it is more commercially viable for our Group to continue to operate our Existing Selangor Plant on leased land;

(ii) the area of the parcel of land where our Existing Selangor Plant is situated cannot support a further factory to be built thereon as it is already fully occupied;

(iii) if we do not set up our New Kulaijaya Plant in Southern Malaysia, we have to engage third party logistics services providers to deliver precast concrete junction boxes to our customers in Southern Malaysia from our Existing Selangor Plant in Central Malaysia. We have to bear the freight charges paid to these logistics services providers. For FY2015, FY2016 and the nine months ended 28 February 2017, the total freight charges of our Group were approximately RM1.4 million, RM2.3 million and RM1.5 million, respectively, and the freight charges of our Group for delivery from our Existing Selangor Plant (i.e. Central Malaysia) to Southern Malaysia was approximately RM0.56 million, RM0.85 million and RM0.56 million, respectively. If we charge customers located in Central Malaysia and Southern Malaysia the same rate per unit of concrete junction box, we will have a lower profit margin from the latter due to the higher freight charges incurred. The average freight charges for the delivery of the precast concrete junction boxes from Central Malaysia to Southern Malaysia is approximately RM50/tonne while the average freight charges for delivery within Southern Malaysia is approximately RM20/tonne, representing around a 60% discount. Therefore, our Directors estimate that we can save approximately 60% in such portion of freight charges in connection with the deliveries made within Southern Malaysia instead of from Central Malaysia to Southern Malaysia and considering the total freight charges for FY2016, there shall be a saving of approximately 23% of our total freight charges. Hence, it is more commercially viable for us to set up our New Kulaijaya Plant in Southern Malaysia instead of expanding our Existing Selangor Plant in this respect; and

(iv) during the Track Record Period, considering the freight charges for delivery of precast concrete junction boxes from Central Malaysia to Southern Malaysia, we could only take up orders from customers in Southern Malaysia if the income generated could cover the freight charges. If we set up our New Kulaijaya Plant in Southern Malaysia, as the freight charges are lower, our freight charges could be more easily covered even by small orders.

In light of our plan to save costs and capture the future growth of development in Southern Malaysia, our Directors consider that it is beneficial for us to set up the New Kulaijaya Plant due to lower monthly rental expenses, operating costs and transportation expenses.

Continue to expand our Group's sales and marketing team

According to the Ipsos Report, the total revenue of the precast concrete junction box industry in Malaysia grew from approximately RM96.1 million to approximately RM117.6 million between 2012 and 2015 at a CAGR of approximately 7.0%, which was driven by the expansion of power distribution and high-speed telecommunication throughout Malaysia arising from key transportation developments, upgrade of infrastructure facilities, and new development areas in Malaysia. Furthermore, the precast concrete telecommunication junction box and electrical junction box manufacturing industry is expected to continue to grow at a CAGR of approximately 8.1% between 2016 and 2019 from approximately RM129.7 million to approximately RM163.7 million, which is expected to be driven by power supply distribution, fixed-line, and fibre optic cable network expansion into newly-developed economic areas and rural areas in Malaysia.

To capture the business opportunities arising from the telecommunication and electrical infrastructure developments in Malaysia, we plan to expand our sales and marketing team by recruiting three sales representatives who are knowledgeable in precast concrete junction boxes for telecommunication and electrical infrastructure. Our Directors expect the level of customer demand for our products in Malaysia to increase according to the corresponding growth of the telecommunication and electrical infrastructure in construction projects in Malaysia. The new sales teams comprised of three sales representatives will be dedicated to promoting and marketing our products to infrastructure companies, construction companies, general contractors, mechanical or electrical contractors or sub-contractors and traders of telecommunication or electrical materials across different regions in Malaysia. The new sales team will also directly approach leading infrastructure and construction consultants in order to obtain updates on the sizeable construction projects to be carried out and promote our products and "Target" brand. Our sales team will visit potential customers in the different regions of Malaysia to promote the quality and strength of our products. We will also invite potential customers to visit our production plant, where we will conduct a walkthrough with them on our production and quality control process, as well as demonstrate to them the specifications and functions of our products, in particular, our wide range of standard products and our ability to customise our precast concrete junction boxes to meet our target customers' needs.

We intend to apply approximately RM0.4 million from the net proceeds of the Share Offer to the expansion of our sales and marketing team.

Expand our business vertically in the supply chain of the precast concrete junction box industry through mergers and acquisitions

In view of the continuous growth in the precast concrete junction box industry in Malaysia, and to maintain our competitiveness in the market, apart from growing our business through organic growth initiatives, we plan to expand our business vertically in the supply chain of the industry by pursuing mergers and acquisitions of companies engaged in the production of junction box covers and other accessories where we would maximise synergies while maintaining our business model. By doing so, we aim to increase our sales, lower our production costs and improve the quality of our products. As such, our management has been exploring various options to vertically integrate our business operations (whether by acquisition and/or by other collaboration arrangements to "maximise synergies in the supply chain").

It is noted that junction box covers accounted for approximately 36.7%, 35.3%, and 35.7% of our Group's total cost of raw materials and trading products for FY2015, FY2016 and the nine months ended 28 February 2017, respectively. Furthermore, for FY2015 and FY2016, approximately 80% to 90% of the orders from our customers had ordered both precast concrete junction boxes and junction box covers. Therefore, we had to source junction box covers which fit our precast concrete junction box from third party suppliers. As such, the proposed acquisition of company(ies) engaged in the production of junction box covers represents a vertical expansion of our Group's business in the supply chain of the precast concrete junction boxes.

We seek potential acquisition opportunities and select potential targets based on our industry experience and the following selection criteria:

Management team and reputation: We plan to seek potential acquisition targets with a devoted management team who possesses relevant experience and expertise, and have a good reputation in manufacturing precast concrete junction box covers.

Geographical location: We plan to select target companies located in Central Malaysia, preferably near our Existing Selangor Plant in order to save transportation costs (or freight charges) when our customers purchase our precast concrete junction boxes with junction box accessories.

Size and scale of operation: We will look for potential targets that are of medium size and focus on manufacturing precast concrete junction box covers and other accessories and have the potential for future growth by leveraging our management methodologies, market position and other resources.

Financial condition and profitability: We will take into account the financial condition and profitability of the potential acquisition targets and verify if there has been an upward trend in their financial results in the preceding years.

The capital required for the acquisitions would depend, to a large extent, on the size of the acquisition targets.

Junction box covers are generally regarded as an indispensable part of the precast concrete junction boxes. Our Directors take the view that our Group would benefit from the proposed acquisition in the following ways:

(1) As junction box covers have a direct impact on the loading strength of a precast concrete junction box, we can manufacture our own junction box covers to cater for the loading strength of our junction boxes in tandem after we have acquired a company engaged in production of junction box covers, which would enable our Group to (i) save time in sourcing suitable junction box covers from third party suppliers and (ii) better control the quality of the junction box covers;

(2) upon completion of the proposed acquisition, we can exercise direct control over the production process of the junction box covers, which would enhance our ability to manage the quality of the junction box covers;

(3) our vertically integrated operation will help us capture additional value along the supply chain of precast concrete junction boxes, given our customers would order both junction boxes and covers together, we can therefore provide one-stop integrated services for precast concrete products to our customers by having the ability to produce precast concrete junction boxes and covers, without sourcing the covers from third party suppliers;

(4) the establishment of a junction box cover manufacturing company requires various licences and permits and different skills and knowhow. Thus, it would save our time and effort if we acquire those companies with the requisite licences, skills and knowhow instead of setting up a junction box cover manufacturing company by ourselves;

(5) as a result of entering into the legally-binding letter of award with Telekom, our Group would have to supply precast concrete telecommunication junction boxes and the ancillary junction box covers for a period between 1 January 2017 to 31 December 2019. Our Directors take the view that the proposed acquisition would put us in a better position to cater for the orders from Telekom for junction box covers in terms of the design, quality and timely delivery of the junction box covers; and

(6) our Directors expect that our Group can enjoy a higher gross profit margin by selling junction box covers produced by us instead of sourcing from third party suppliers. Our Directors estimate that there shall be a 5% to 10% increase in the gross profit margin of sales in junction box covers if we sell junction box covers produced by ourselves; and on such basis, our Group's gross profit margin for the year ended 31 May 2016 would be increased by approximately 0.9% to 1.9%.

By expanding our business vertically, we can strengthen the product mix of our "Target" brand. Our Directors believe that this vertical integration by acquisition would help us free up financial resources and the time our management team has to take to expand our business organically.

As at the Latest Practicable Date, we had not identified any acquisition target or formulated any concrete plan in relation to any acquisition nor progressed to any formal negotiation or signed any letter of understanding, commitment or agreement with any potential target.

We intend to apply approximately RM1.5 million from the net proceeds of the Share Offer for such strategic acquisition in order to expand our business vertically in Malaysia.

OUR BUSINESS

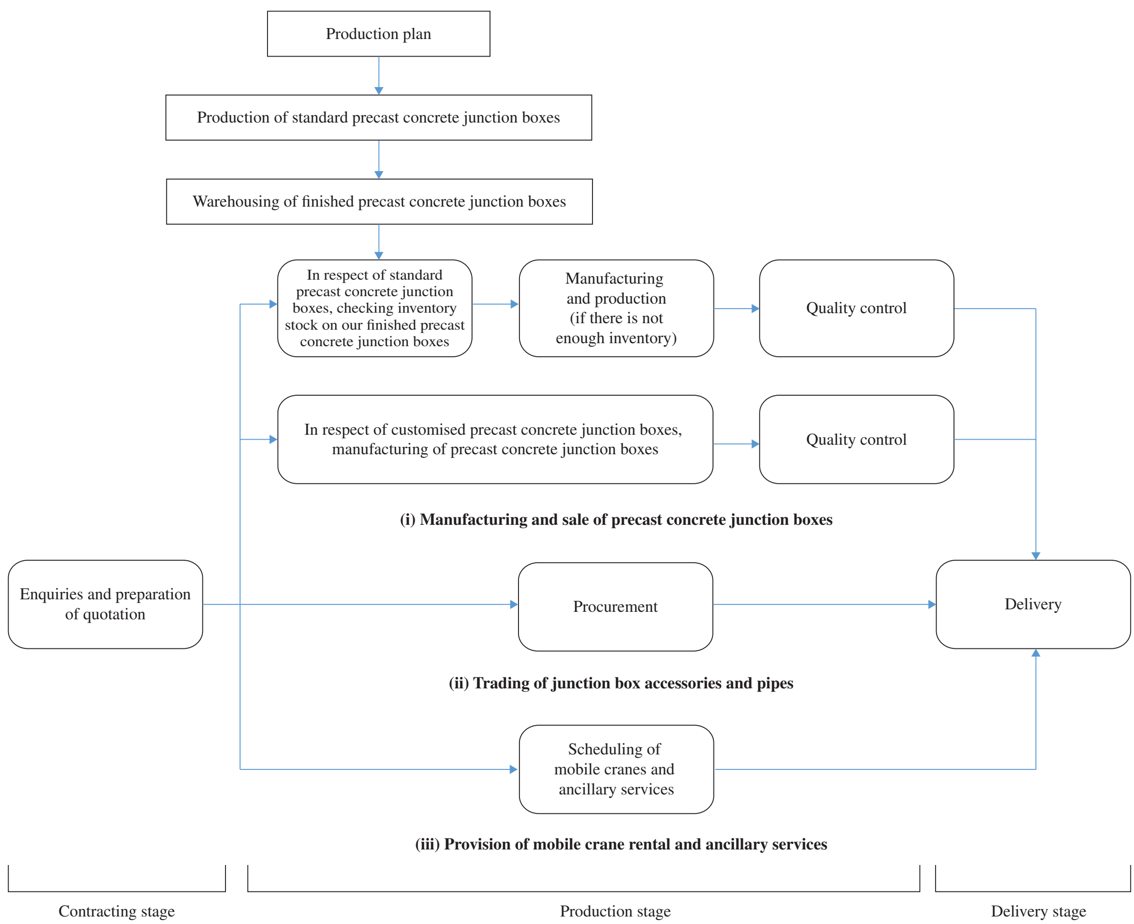
We principally manufacture and sell precast concrete junction boxes, which can be classified into, (i) precast concrete telecommunication junction boxes and (ii) precast concrete electrical junction boxes. To complement our business in manufacturing and sale of precast concrete junction boxes, we also engage in trading of junction box accessories and pipes connecting junction boxes; and provision of mobile crane rental and ancillary services.

The following table sets forth the breakdown of our revenue by business categories during the Track Record Period:

	Year ended 31 May				Nine months ended			
	2015		2016		29 February 2016		28 February 2017	
	RM'000	*%*	*RM'000*	*%*	*RM'000* (unaudited)	*%*	*RM'000*	*%*
Manufacturing and sale of precast concrete junction boxes								
– Precast concrete telecommunication junction boxes	14,511	62.7	20,316	61.0	15,220	62.5	13,364	54.5
– Precast concrete electrical junction boxes	6,010	25.9	8,773	26.4	6,036	24.8	7,699	31.4
Subtotal	20,521	88.6	29,089	87.4	21,256	87.3	21,063	85.9
Trading of junction box accessories and pipes	1,790	7.7	3,862	11.6	2,840	11.7	3,254	13.3
Provision of mobile crane rental and ancillary services	854	3.7	330	1.0	244	1.0	203	0.8
Total	23,165	100.0	33,281	100.0	24,340	100.0	24,520	100.0

OUR BUSINESS MODEL

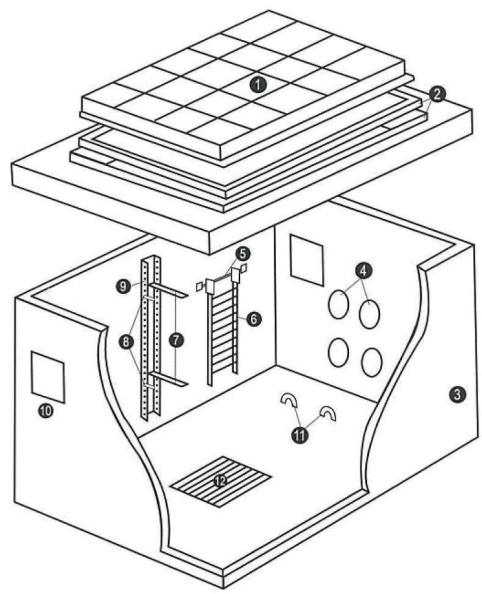
The following diagram illustrates our business model with respect to our three principal types of business operations, namely (i) manufacturing and sale of precast concrete junction boxes; (ii) trading of junction box accessories and pipes; and (iii) provision of mobile crane rental and ancillary services:



Under our current business model, we primarily engage in manufacturing and sale of precast concrete junction boxes of various standard sizes and dimensions. Upon receiving customers' confirmation on our quotations for our standard precast concrete junction boxes, we will check our inventory stock in relation to our finished products and arrange for the delivery of precast concrete junction boxes to customers. In respect of the enquires for customised precast concrete junction boxes, we will develop customised technical drawings based on individual customer's requests before commencing the manufacturing process. We deliver our products to customers either through our in-house vehicles or external logistics service providers. To complement our business in manufacturing and selling precast concrete junction boxes, we also trade junction box accessories and pipes on a standalone basis or together with our precast concrete junction boxes to customers.

Manufacturing and sale of precast concrete junction boxes

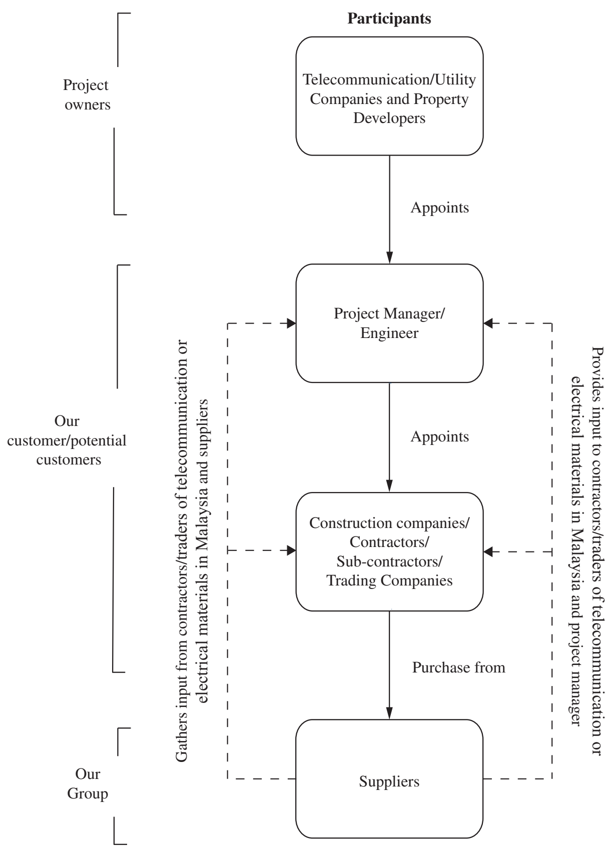
Composition of our precast concrete junction boxes. A precast concrete junction box comprises a number of parts inside to connect and splice cables and pipes, and the precast concrete junction boxes have to be installed first before cables and pipes can be connected and spliced. Our standard precast concrete junction boxes with major parts and sections is set out below:



1. Iron cover top
2. Iron cover frame and concrete slab/top
3. Concrete invert
4. Duct way
5. Handle
6. Ladder
7. Cable bracket
8. Locking pin
9. Bearer channel
10. Manhole information and authenticity identification label
11. Anchor iron lifting hook
12. Sump hole

Industries which use our precast concrete junction boxes. Our precast concrete junction boxes are used and applied to the telecommunication and power infrastructure in property developments or other construction projects. Therefore, construction companies or contractors engaged in telecommunication and electrical industries are considered as the main users of our precast concrete junction boxes and they undertake the installation of the precast concrete junction boxes to provide access and distribution of telecommunication and power supply at new properties, area developments or for infrastructure upgrades or expansion commissioned by utility companies. On the other hand, old cast-in-situ junction boxes may be dilapidated and have to be replaced by our precast concrete junction boxes. In view of the growing demand for the underground placement of these telecommunication and utilities, especially in the electric utilities, our Directors believe that the demand for precast concrete junction boxes will continue to increase in the near future.

The supply chain of our precast concrete junction boxes. We supply our precast concrete junction boxes to infrastructure companies, construction companies, general contractors, mechanical or electrical contractors or sub-contractors and traders of telecommunication or electrical materials in Malaysia participating in construction projects and trading of telecommunication or electrical materials in Malaysia. The following diagrams summarise the supply chain of our precast concrete junction boxes:



Description

Telecommunication/Utility Companies and Property Developers
Telecommunication and utility companies as well as property developers are project owners. In terms of junction boxes used in a project, these project owners set the installation requirements such as power capacity and power usage which serve as guidelines for the other parties in a project.

Project Manager/Engineer
Appointed by telecommunication, electrical, utility or property development companies, a project manager is responsible for planning, designing and managing the project as well as the type of equipment required for a project. They will work together with contractors or trades of telecommunication or electrical materials in Malaysia as well as suppliers to determine the types and sizes of junction boxes as well as if any customisation of junction boxes is required.

Construction companies/Contractors/Sub-contractors/Trading companies of telecommunication or electrical materials in Malaysia
Selected by project managers, contractors or traders of telecommunication or electrical materials in Malaysia will source products from relevant suppliers and provide them to contractors.

Suppliers
Suppliers include companies that are responsible for providing construction companies/contractors/sub-contractors with various items required in a project, ranging from precast concrete junction boxes to network equipment to provision of services to support contractors. We are categorised under the supplier category to provide precast concrete junction boxes and their accessories, such as precast concrete junction box covers and pipes as well as lorry crane, mobile crane and transportation services to contractors who do the installation work and ensure that they meet the specifications that are provided by the project manager/engineer. In some cases, we also work or liaise with project managers, particularly when there is a need to supply customised junction boxes to a project.

Types of our precast concrete junction boxes:

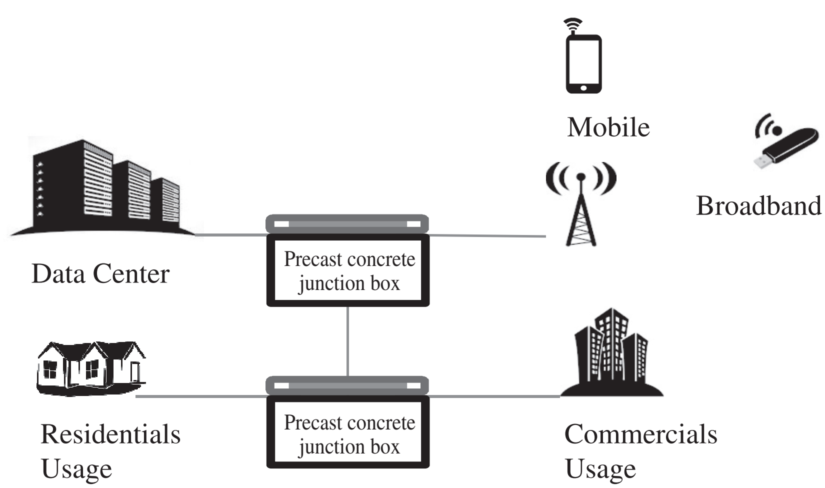
We manufacture and sell two types of precast concrete junction boxes, namely, (i) precast concrete telecommunication junction boxes; and (ii) precast concrete electrical junction boxes. If requested by customers, we may also customise our concrete junction boxes based on their specifications.

(i) Precast concrete telecommunication junction boxes

Application

In respect of the telecommunication network in an area, underground telecommunication cables are used to establish connections among different users and service providers. Our precast concrete telecommunication junction boxes are installed at various points of the underground telecommunication networks where the telecommunication cables are spliced, bent and split according to the design of the telecommunication network.

The diagram below illustrates the application of our precast concrete telecommunication junction boxes in a telecommunication network.



Precast concrete telecommunication junction boxes are widely used in the provision of telecommunication services as the cables are susceptible to external conditions and require the protection of precast concrete telecommunication junction boxes at the connection points. These telecommunication junction boxes serve as the intermediate connecting and splicing points in the conduit systems.

Types of precast concrete telecommunication junction boxes:

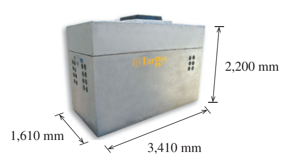
We manufacture precast concrete telecommunication junction boxes in different standard or customised dimensions, which are based on specifications generally required by the telecommunication companies.

Our standard precast concrete telecommunication junction boxes can be classified into two types in terms of their respective loading strengths to cater for different volumes of traffic at the site, namely (i) heavy duty; and (ii) light duty. The heavy duty type is designed to be placed in locations with high volumes of traffic like tar roads, so it must have a heavy loading strength with a minimum of 22.5 tonne-force. As for the light duty type, it is designed to be placed in locations with light volumes of traffic such as walkways.

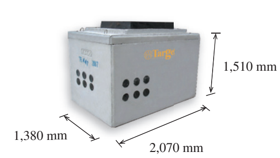
While our standard precast concrete telecommunication junction boxes can broadly be classified into two types in terms of their loading strength to cater for different volumes of road traffic at the site, as at the Latest Practicable Date, we had 17 major models of standard precast concrete telecommunication junction boxes in terms of their dimensions for accommodating different number of duct ways.

(1) **Heavy duty**

Use: To be placed in locations with high traffic volume



The above diagram shows one of our heavy duty precast concrete telecommunication junction boxes (model number: R2A)



The above diagram shows one of our heavy duty precast concrete telecommunication junction boxes (model number: JC9C)

Loading strength: Heavy

Dimensions:

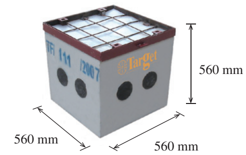
The most common sizes of our precast concrete telecommunication junction boxes include:

950 mm (L) x 950 mm (W) x 850 mm (H)
1,200 mm (L) x 900 mm (W) x 1,050 mm (H)
1,800 mm (L) x 910 mm (W) x 1,325 mm (H)
2,070 mm (L) x 1,380 mm (W) x 1,510 mm (H)
6,480 mm (L) x 2,180 mm (W) x 2,400 mm (H)

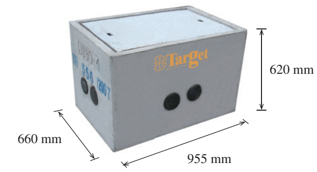
Price range: RM900 to RM30,000 per unit

(2) **Light duty**

Use: To be placed in locations with low traffic volume or non-traffic areas



The above diagram shows one of our light duty precast concrete telecommunication junction boxes (model number: 18' x 18' x 18')



The above diagram shows one of our light duty precast telecommunication junction boxes (model JB30)

Loading strength: Light

Dimension:

The most common sizes of our precast concrete telecommunication junction boxes include:

400 mm (L) x 400 mm (W) x 400 mm (H)
560 mm (L) x 560 mm (W) x 560 mm (H)
860 mm (L) x 560 mm (W) x 560 mm (H)
955 mm (L) x 660 mm (W) x 620 mm (H)

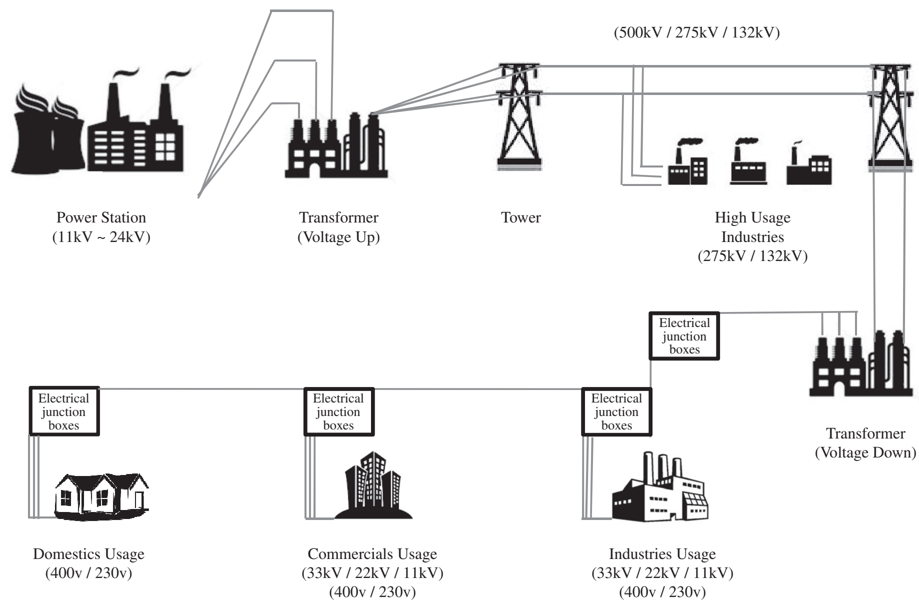
Price range: RM160 to RM350 per unit

(ii) Precast concrete electrical junction boxes

Application

We manufacture electrical junction boxes in various sizes according to the way electricity is distributed to the electricity users.

In general, electrical power is generated in power stations at a voltage range between 11kV to 24kV. In order to transmit the generated power over long distances, transformers are used to step up the voltage, generally to 132kV, 275kV or 500kV. After its transmission over a long distance, the power is stepped down to a lower voltage by transformers and is then distributed to different users. The diagram below illustrates how electricity is transmitted from a power station and distributed to different users by the application of our precast electrical junction boxes in an electricity network.



In order to transmit electricity from a substation to its users, electrical junction boxes, such as our precast concrete electrical junction boxes, are used to splice and direct the electrical cable networks that are laid underground, which simultaneously distribute electricity to various points. Electricity from the substations is distributed to users in a number of stages. Each stage requires a different size of electrical junction box to (i) splice and direct the underground electrical cable networks to different points; (ii) protect the electrical cables; and (iii) increase traceability in the case of power interruption.

Types of our precast concrete electrical junction boxes:

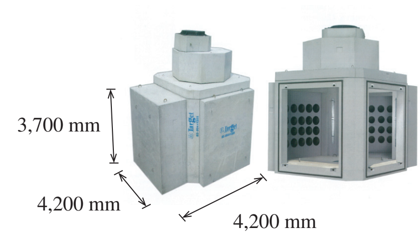
During the Track Record Period, we manufactured precast concrete electrical junction boxes in different standard or customised dimensions mainly based on the specifications and requirements of TNB and our customers. Our precast concrete electrical junction boxes can cater for different installation requirements in terms of power capacity and usage. We also offer precast concrete electrical junction boxes in a number of enclosure options, for instance, plain concrete slab to cast iron cover and round iron cover with markings to meet varying requirements of the projects.

Our precast concrete electrical junction boxes can also be broadly classified into two types in terms of their loading strength to cater for different volumes of road traffic volumes at the site, namely (i) heavy duty; and (ii) light duty.

As at the Latest Practicable Date, we had five major models of standard precast concrete electrical junction boxes in terms of dimension and usage, of which one major model can be used in conjunction with different junction box covers resulting in different loading strengths. Some major models can be further divided into different options in terms of their loading strength.

(1) **Heavy duty**

Use: To be placed in locations with a high traffic volume. The junction box on the right is designed for handling high voltage from transmission lines. Its segmental design allows it to be joined together to handle larger equipment stored inside the precast junction box as well as to handle a high voltage of the electrical power going through it.



The above diagram shows one of our heavy duty precast concrete electrical junction boxes (model number: TNB segmental manhole)

Dimension:

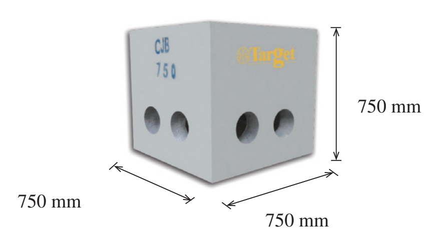
The most common size of our precast concrete electrical junction boxes (heavy duty) include:

1,400 mm (L) x 1,100 mm (W) x 1,050 mm (H)
1,530 mm (L) x 1,530 mm (W) x 1,620 mm (H)
2,110 mm (L) x 1,530 mm (W) x 1,620 mm (H)
2,110 mm (L) x 2,110 mm (W) x 1,620 mm (H)
4,220 mm (L) x 4,220 mm (W) x 3,700 mm (H)

Price range:
RM1,550 to RM18,800 per unit

(2) **Light duty**

Use: To be placed in locations with a low traffic volume or non-traffic areas. As they are usually installed under or beside roads, they are equipped with covers which consist of concrete slabs. The junction box on the right is designed for handling low voltage in the transmission network.



The above diagram shows one of our light duty precast concrete electrical junction box (model number: CJB 750)

Dimension:

The most common size of our precast concrete junction boxes (light duty) include:

400 mm (L) x 400 mm (W) x 750 mm (H)
750 mm (L) x 750 mm (W) x 750 mm (H)
800 mm (L) x 800 mm (W) x 750 mm (H)

Price range:
RM250 to RM850 per unit

(iii) Customised precast concrete junction boxes

We also manufacture customised precast concrete junction boxes for telecommunication and electrical infrastructures based on individual customer's specifications. The areas of customisation include designated sizes of the precast concrete junction boxes and additional duct ways. Customised precast concrete junction boxes are generally used:

(i) for the replacement of the old junction boxes and in such circumstance where the installation areas are already fixed and cannot be changed. Customised junction boxes are therefore needed to fit into those fixed installation areas;

(ii) when there is a need to cater for the increasing capacity of a particular site in the future and customised junction boxes with additional duct ways would therefore be required; or

(iii) when there are specific requirements from project consultants.

The demand for precast concrete junction boxes has increased over the years due to many reasons including the growing demand for the underground placement of telecommunication and utilities (in particularly power utilities) as well as more stringent security concerns.

By offering a wide range of products and product mix in terms of our standard precast concrete junction boxes, coupled with our ability to provide customised products for our customers, we can effectively and efficiently accommodate our customers' different requirements for precast concrete junction boxes and enhance our customer satisfaction on our precast concrete junction boxes.

Trading of junction box accessories and pipes

We trade junction box accessories and pipes on a standalone basis or together with our precast concrete junction boxes. These items are ancillary to the junction boxes to efficiently route the cables and to prevent outsiders from entering these junction boxes.

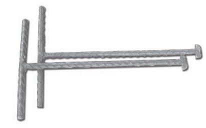
(i) Junction box accessories

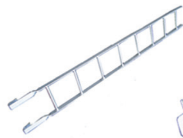
Junction box accessories include junction box covers and other accessories that are installed inside a junction box to facilitate the routing of wires and pipes. During the Track Record Period, we traded a number of different junction box accessories such as junction box keys, locking pins and handles. Below are some of the junction box accessories which we trade.


Bearer Channel


Cable Bracket

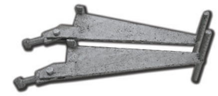

Locking Pin


Medium Duty Manhole Key


Ladder


Handle

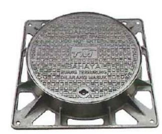

MS Grating

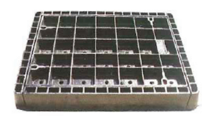

Heavy Duty Manhole Key

Junction box covers are used to cover the openings on the top of the junction boxes to avoid external tampering. We trade a variety of junction box covers which are made of cast iron and ductile iron and they are generally standalone products with different shapes and sizes. We trade junction box covers for the use of telecommunication and electrical junction boxes as well as other types of junction boxes.

The pictures below illustrate the junction box covers in different shapes which we trade.

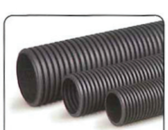

Square iron cover


Round iron cover


Rectangular iron cover

(ii) Pipes

Pipes are used to protect underground wires and cables from one junction box to another in the utility infrastructure site. We trade a range of piping products including pipes and pipe connectors that are available selected materials to suit different needs of our customers, for instance, galvanised iron ("**GI**"), unplasticised polyvinyl chloride ("**UPVC**"), and high-density polyethylene ("**HDPE**"). Pipes are also available in different sizes ranging from a diameter of 20 mm to 280 mm to fit different duct ways of junction boxes. Moreover, we also trade pipe connectors which are used to connect pipes of corresponding sizes. The pictures below illustrate some of the piping products which we trade.


HDPE Corrugated sub-duct pipe


HDPE Corrugated pipes


GI pipes


HDPE smooth pipes


UPVC Telekom pipe


UPVC Pressure pipe


Pipe connectors


HDPE and poly pipe

(iii) Others

We also occasionally traded scrap metal during the Track Record Period.

Provision of mobile crane rental and ancillary services

We offer mobile crane rental and ancillary services including delivery and uplifting services, mainly for our precast concrete junction boxes. The picture below shows our mobile cranes:

Mobile crane

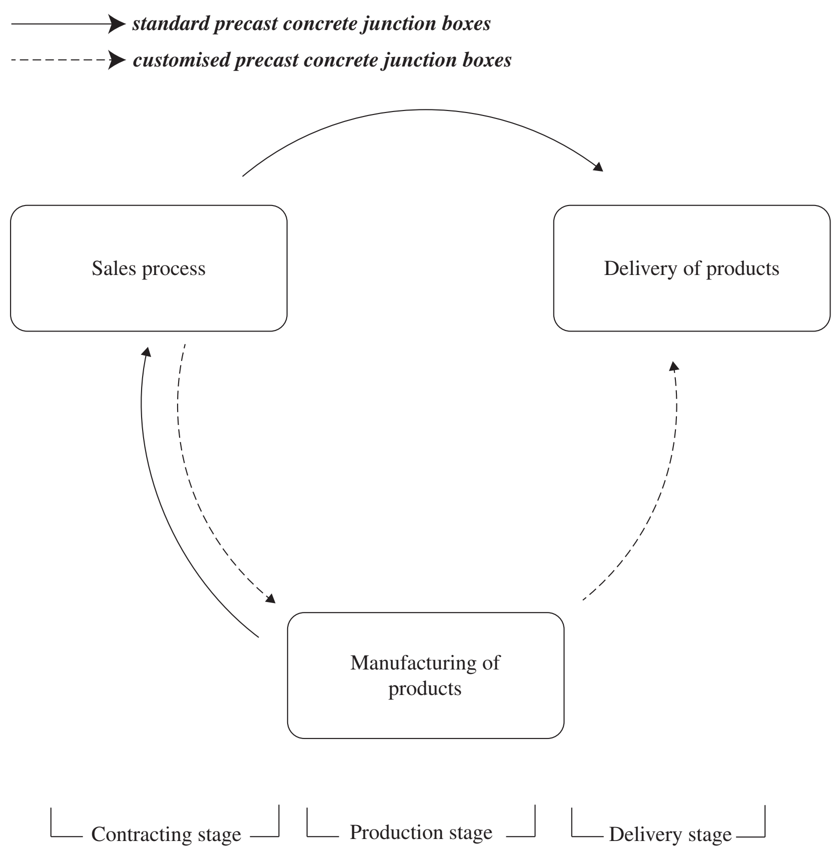
As at the Latest Practicable Date, we had two mobile cranes for offering short-term leasing to our customers. When we rent out our mobile cranes, we also provide the rental with crane operators to operate the mobile cranes. Our customers can use our mobile cranes to carry and lift heavy objects. During the Track Record Period, we also sourced mobile cranes from third party mobile crane service providers for our own use and for sub-leasing to our customers, and these mobile crane service providers also provided crane operators for the operation of the mobile cranes. We rent mobile cranes from these third party mobile crane service providers in accordance with a pre-determined rental rate for each model. For our sub-rental of mobile cranes to our customers, we adopt a cost-plus pricing model, and we determine an appropriate mark-up amount after taking into account a wide range of factors including (i) the distance between the pick-up locations and the delivery point of the mobile crane; (ii) the then prevailing market rates of similar transportation services; and (iii) the service fees charged by our mobile crane service providers. For FY2015, FY2016 and the nine months ended 28 February 2017, our total cost of sales in relation to our provision of mobile crane rental and ancillary services amounted to approximately RM0.5 million, RM0.3 million and RM0.2 million, respectively, representing approximately 3.4%, 1.4% and 1.0% of our total cost of sales, respectively. All mobile crane service providers are Independent Third Parties.

During the Track Record Period, our Directors consider that the revenue derived from the provision of mobile crane rental and ancillary services was low and insignificant to our overall business operations.

OUR OPERATIONAL FLOWS

A. Manufacturing and sale of precast concrete junction boxes

Key operational procedures in relation to our manufacturing and sale of precast concrete junction boxes are outlined below for illustration purposes:



I. Contracting stage

As our customers are mainly infrastructure companies, construction companies, general contractors, mechanical or electrical contractors or sub-contractors and traders of telecommunication or electrical materials in Malaysia, the majority of our contracts are secured via a referral or invitation from project managers or the main contractors of the infrastructure or construction projects in Malaysia. Our potential customers enquire or request us to provide quotations for the supply of precast concrete junction boxes to include in their tenders. Enquiries from potential customers are either for a package of products, which include junction boxes, related accessories as well as mobile crane rental services and ancillary services; or separately for each product type. Enquiries and requests for quotations are forwarded to our sales team, who then prepares the quotation and relevant information with regard to the product prices and delivery schedule. Upon receipt of request from potential customers, we may also provide registration certificates and key information regarding the raw materials used to produce the junction boxes.

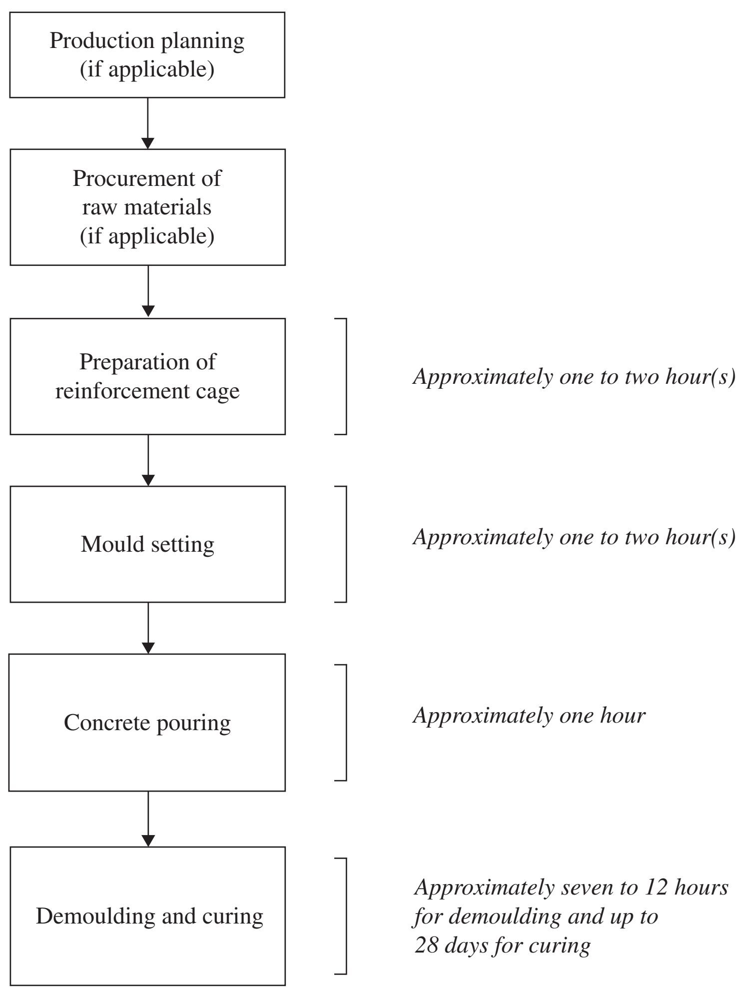
In the cases where enquiries are related to customised junction boxes, our sales team will work together with potential customers to prepare the quotations.

Once we have prepared the quotation, our sales team will send it to potential customers. Once the potential customer accepts our quotation and confirms the order with us either via e-mail acknowledgement, written acceptance and/or through issuance of the customer's purchase order, our production team will plan and schedule for the production of our junction boxes.

II. Production stage

Once we have received the purchase order from customers, our production team will commence production of the junction boxes according to the delivery schedule set out in the purchase order or the quotation.

For illustration purposes, the major steps of the production process of our precast concrete junction boxes are outlined below:



It takes approximately eight hours from concrete pouring to demoulding, as reinforcement cages and moulds used in the production are prepared prior to the process. As soon as the concrete product is formed, the initial curing process begins. Before de-moulding takes place, the product is allowed to cure in the mould for approximately seven hours. Once de-moulded, the concrete product will be cured for a period of seven to 28 days.

Step 1: Production planning (if applicable)

For customised precast concrete telecommunication or electrical junction boxes, since we do not have a ready mould, product planning is required . On the other hand, for standard products, planning the design and specification of our precast concrete junction boxes is generally not required since we already have the junction box mould and specification of the junction box.

In this step, the work process can be divided into two procedures, namely, (i) drawings; and (ii) submission of the technical drawings to our customers for confirmation. The following table provides further details to each procedure of our customised product development:

Procedure	**Description**
Drawing	We develop customised drawings based on the customers' requests, designs and specifications including dimension and thickness. Most of the customised products are based on our currently available products, with the customisation reflected in the new drawings. In some cases, customers will provide the drawings for the customised products.
Customers' confirmation	After completion of the above procedure, we will send the drawings to our customers for confirmation.

Step 2: Procurement of raw materials (if applicable)

In terms of our raw materials such as junction box covers and other accessories, we maintain the inventory level of these items for production for about two weeks. Upon receiving confirmation from our customers' purchase orders, we will check the inventory level of these items and if necessary, we will place orders with our suppliers who are all located in Malaysia. It takes around one to two week(s) to deliver the accessories ordered to our production plant. For ready-mix concrete, we do not maintain inventory level due to its fluid and porous nature. All ready-mix concrete will be used immediately after it has been delivered to our production plant.

Step 3: Preparation of reinforcement cage

Reinforcement cages are made of cut and bent steel bars that are tied together. They are used to ensure the structural integrity of the precast concrete junction boxes. In the manufacturing process, the cage is fitted into the mould for the concrete pouring to take place. The picture below shows our preparation of reinforcement cage:

Step 4: Mould setting

Spacing objects are placed in the duct way positions of the reinforcement cage for the opening of the duct way in the junction box. Anchor iron hooks are also placed in various positions of the reinforcement cage to lift the junction box from the mould after demoulding. Mould oil is also sprayed over the moulds to ease the demoulding process. The picture below shows our mould setting process:

Step 5: Concrete pouring:

After we have placed the reinforcement cages into the moulds of the precast concrete junction boxes, we pour the ready-mix concrete into the moulds at a consistent rate in order to let air escape as it flows around the reinforcement cage. During the pouring process, we place compaction vibrators into the moulds to reduce the amount of air trapped in the concrete when the concrete solidifies. The picture below shows our concrete pouring process:

Step 6: Demoulding and curing

After we have poured the ready-mix concrete into the moulds, the concrete stays in the moulds for around seven to 12 hours to allow the concrete to harden for demoulding. When the concrete junction boxes reach the required demoulding strength, i.e. that they can stand without the support of the mould, we remove the concrete junction boxes from the moulds for curing for a period up to 28 days, whereas for the moulds, we clean, check and oil them so that they can be used for the next casting.

The picture below shows our demoulding process where junction boxes are removed from the moulds:

III. Delivery stage

After the manufacturing stage, depending on purchase orders, we deliver our products to our customers' designated site by engaging third party logistics service providers at our own cost or using our own lorry crane or lorry. On some occasions, our customers arrange for collection of our products from our production plant. We do not carry out installation work of our precast concrete junction boxes.

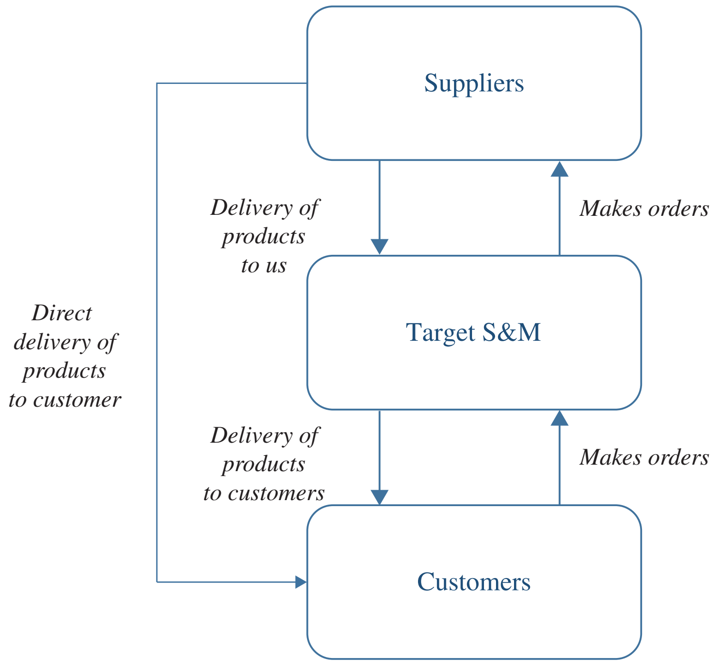
If our customers are located outside Klang Valley, Malaysia, we will engage a third party logistic services provider instead of using our own transportation. In general, we select third party logistics service providers based on their price, reputation, transportation efficiency, transportation capability and track record. We also require these logistics service providers to possess valid transportation permits and other relevant qualifications to conduct their business, and appropriate insurance coverage. For FY2015, FY2016 and the nine months ended 28 February 2017, the sub-contracting delivery cost incurred for the delivery of the precast concrete junction boxes manufactured by us and the junction box accessories traded by us amounted to approximately RM1.4 million, RM2.3 million and RM1.5 million, respectively.

After sales service

Although the purchase orders from our customers do not provide for product return or replacement and we do not offer any product warranties to our customers, we normally allow return or replacement of products when our products have technical defect, for instance, cracks found on the surface of our precast concrete junction box. Complaints about product quality from our customers, if any, will be referred to our quality control team and production team who will then present a monthly product non-conformance report to Mr. Loh. The report will summarise all product non-conformance incidents discovered in each month and will suggest corrective actions. Once Mr. Loh has reviewed and approved the report, our production team will arrange for new junction boxes to be delivered to our customers as a replacement. During the Track Record Period and up to the Latest Practicable Date, our Group received five, three, nil, and nil complaint(s) from customers mainly due to minor defective products or incorrect specifications. Our Directors confirmed that the total cost involved for remedial actions was immaterial and no further follow ups were required as at the Latest Practicable Date.

B. Trading of junction box accessories and pipes

Key operational procedures in relation to our trading of junction box accessories and pipes are outlined below for illustration purpose:

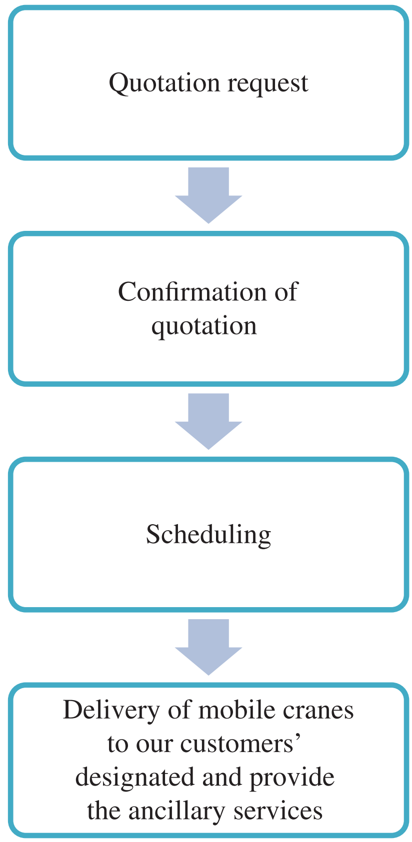


We generally purchase junction box accessories and pipes from our suppliers on a back-to-back basis, i.e. we will order from our suppliers after confirming the purchase orders for the junction box accessories with our customers. As such, we do not keep stock of the accessories. Our suppliers of junction box accessories are all located in Malaysia.

Our sales team will handle the enquiries or requests from customers and prepare the relevant quotations including product type, product prices and delivery date, which will then be sent to customers for their approval. Once our customers agree to the terms and prices quoted, and confirm the order via e-mail acknowledgement, written acceptance or through issuance of a purchase order, our sales and marketing department will then place orders with our suppliers on a back-to-back basis. It generally takes approximately one to two week(s) for our suppliers to deliver the products to our customers' sites or other locations designated by our customers directly. On some occasions, our suppliers will deliver the accessories to our production plant and we will then deliver them to our customers' site.

C. Mobile crane rental and ancillary services

Key operational procedures of our mobile crane rental and ancillary services are outlined below for illustration purpose:



During the Track Record Period, after we obtained mobile crane rental orders via enquiries from our customers, our sales team would process the orders based on the availability of our own mobile cranes or third party mobile crane providers. If our mobile cranes are available, we will lease the mobile cranes to our customers, otherwise, we will source mobile cranes from third party mobile crane providers for our customers. If our customers accept the quotations, we then place orders for the lease of the mobile crane (including the crane operator or driver) and sub-lease the mobile crane to our customers on a back-to-back basis.

Depending on our customers' requests, we will make arrangements with our customers to transport the mobile cranes to the sites designated by customers and provide the ancillary services such as uplifting services and pulling of concrete services etc. to our customers.

OUR PRODUCTION FACILITIES

Existing Selangor Plant

During the Track Record Period, we leased and operated our Existing Selangor Plant in Seri Kembangan, Malaysia with a total gross area of approximately 8,094 m^2 for production activities, storage, steel caging, welding, mould maintaining, warehousing, ancillary office and parking, of which an area of approximately 680 m^2 has been designated for the production of our precast concrete junction boxes. Our Existing Selangor Plant was located on a piece of leased land in Lot 1894, Jalan KPB 5, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia, which we leased from an Independent Third Party. For further details, please refer to the paragraph headed "Business – Properties" in this section.

Our Directors confirm, upon seeking legal advice from our Malaysian Legal Advisers, that we have obtained all the relevant licences and permits such as the temporary building permit dated 5 December 2016 with respect to the non-permanent structure, such as the cabin office, for a term of one year and is renewable on a yearly basis. We also closely monitor our quality assurance and safety control processes during the production of our products and we have not experienced any suspension or termination of any licence, permit or certificate necessary for the operation of our production plants during the Track Record Period.

New Kulaijaya Plant

In order to expand our production capacity and facilitate our long term business development, we decided to set up our New Kulaijaya Plant on plot A of land held GM865, Lot 2945 in the Mukim Senai, District Kulaijaya, Johor, Malaysia with a total gross area of 8,100 m^2, of which an area of 200 m^2 will be designated for the production of our precast concrete junction boxes and the remaining area will be used for storage, steel caging, welding, mould maintaining, warehousing, parking and as an ancillary office. We have leased this piece of vacant land in Kulaijaya since December 2015 from an Independent Third Party, initially for storage of our precast concrete junction boxes whilst simultaneously studying the feasibility of setting up our New Kulaijaya Plant therein. Upon completion of the feasibility study, we commenced setting up our New Kulaijaya Plant. For further details on the leased land in Kulaijaya, please refer to the paragraph headed "Business Strategies" in this section and the section headed "Future Plans and Use of Proceeds" of this prospectus.

As at the Latest Practicable Date, we obtained the business licence of the New Kulaijaya Plant in January 2017 and the temporary building permit in respect of the non-permanent structures thereon, such as the cabin office of our New Kulaijaya Plant in September 2016 for a term of one year and to be renewed on a yearly basis, which allows us to construct an administrative office and hostel on the parcel of land. We are currently in the course of applying for the manufacturing licence of the New Kulaijaya Plant and expect to obtain such licence in or around July 2017. Our Malaysian Legal Advisers advised that there should not be any legal impediment for us to apply for the business licence for our New Kulaijaya Plant. We had completed civil construction works including land levelling, setting up a cabin office, completed the application, installation and connection of electricity and water supply for our New Kulaijaya Plant.

Contingent Relocation Plan

Existing Selangor Plant

In the unlikely event that the lease of our Existing Selangor Plant is not renewed or being terminated before expiration, our Group will implement a contingency relocation plan by immediately seeking an alternative location for our production plant within the vicinity of our Existing Selangor Plant, which, in our Directors' opinion and based on their experience and knowledge, would not be an obstacle.

Our Directors estimate that the contingency relocation would need at least 12 months (including the time needed for land levelling and applying for the requisite approvals and licences) and would cost approximately RM363,000, of which approximately RM80,000 for relocating machineries and approximately RM283,000 for the application of the permanent building permit.

We have renewed the lease of the Existing Selangor Plant for a further term of two years to the end of January 2019 with an option to renew for a further term of two years up to 2021. According to the lease of the Existing Selangor Plant, a reasonable notice period of not less than three months will be required in serving notice to us if the landlord decides not to renew the existing tenancy with us. However, as we need at least 12 months to obtain all the requisite approvals and licences, we expect to start negotiations with the landlord with respect to renewal of the lease within 12 to 15 months before expiration of the lease, i.e. around November 2019 (assuming we have exercised the right of renewal of the lease up to January 2021). If the landlord indicates that it is not going to renew the lease, we will immediately look for a new parcel of land and enter into an agreement to lease with a new landlord, which will commence upon completion of our application for the requisite licences and approvals. By that time, the operation of our Existing Selangor Plant has to be suspended temporarily for dismantling the machineries, which mainly involve gantry cranes, at our Existing Selangor Plant and installation of the machineries at the new parcel of land under the new lease. To mitigate any potential loss to our revenue during this temporary suspension, we would adopt a series of temporary measures, including (i) mobilising our existing mobile cranes and hiring more mobile cranes from external suppliers to take up part of the production of precast concrete junction boxes at the new parcel of land under the new lease; (ii) deploying part of the production team stationed at our Existing Selangor Plant to our New Kulaijaya Plant, which will take up part of the production works on an ad hoc basis; (iii) adjusting our production schedule and rescheduling the delivery time of our products to our customers; and (iv) speeding up the process for dismantling and installation of the machineries to the extent that the entire process can be completed within three to four weeks. Attributed to these temporary measures, our Directors believe that the impact on the production capacity of our Existing Selangor Plant during the suspension period can be limited up to approximately 50% of its full capacity. On this basis, our estimated maximum potential loss on revenue would be approximately RM1.4 million (being 50% of our average revenue per month for FY2016). In this regard, our Directors believe that the contingency relocation plan will not have any material adverse impact on our Group's operation and will not result in any significant loss of revenue or adversely affect our Group's relationship with its customers.

Despite the above, we have not encountered any difficulty in negotiating with the landlord of our Existing Selangor Plant for the renewal of the lease and the landlord has agreed to renew our lease every time upon its expiration since we rented the land in 2007. Our Directors do not foresee there would be any difficulty for us to renew the lease with the landlord in the future.

New Kulaijaya Plant

Although the lease of our New Kulaijaya Plant will not expire until the end of November 2018 with an option to renew for another three years up to November 2021, in the event that the lease of our New Kulaijaya Plant is not renewed in the future or the landlord refuses to sell the land to us, our Group has to acquire a parcel of land in Southern Malaysia that is within the region of Johor and within the vicinity of our New Kulaijaya Plant as an alternative. To our Director' best knowledge and belief, we would not have any obstacles in looking for the alternative parcel of land. Up to the Latest Practicable Date, as the discussion is still ongoing, we have not identified any alternative parcels of land.

However, as we need at least 12 months to obtain all the requisite approvals and licences, we expect to start negotiation with the landlord with respect to renewal of the lease 12 to 15 months before expiration of the lease, i.e. September 2020 (assuming we have exercised the right of renewal of the lease up to November 2021).

If we have to relocate our New Kulaijaya Plant to a new parcel of land due to the reasons set out above, the operation of our New Kulaijaya Plant has to be suspended temporarily for dismantling the machineries, which mainly involve gantry cranes, at our New Kulaijaya Plant and installation of the machineries at the new parcel of land under the new lease. To mitigate any potential loss to our revenue during this temporary suspension, we would adopt a series of temporary measures, including (i) mobilising our existing mobile cranes and hiring more mobile cranes from external suppliers to take up part of the production of precast concrete junction boxes at the new parcel of land; (ii) deploying part of the production team stationed at our New Kulaijaya Plant to our Existing Selangor Plant, which will take up part of the production works on an ad hoc basis; (iii) adjusting our production schedule and rescheduling the delivery time of our products to our customers; and (iv) speeding up the process for dismantling and installation of the machineries to the extent that the entire process can be completed within three to four weeks. Attributed to these temporary measures, our Directors believe that the impact on the production capacity of our New Kulaijaya Plant during the suspension period can be limited up to approximately 50% of its full capacity, i.e. 3,385 m^3 per year (as the full capacity of our New Kulaijaya Plant is estimated to be approximately 6,770 m^3 per year). In this regard, our Directors believe that the contingency relocation plan will not have any material adverse impact on our Group's operation and will not result in any significant loss of revenue or adversely affect our Group's relationship with its customers.

Our Directors estimate that the acquisition and relocation could be completed in 12 months (including the time for land levelling and applying the requisite approvals and licences) and would cost approximately RM4.9 million, of which approximately RM4.6 million for the acquisition of land, approximately RM80,000 for relocating machineries and approximately RM203,000 for the application of the temporary building permit.

Production capacity

The production capacity, actual production volume and utilisation rate of our Existing Selangor Plant during the Track Record Period is set out in the following table:

	Year ended 31 May		Nine months ended 28 February
	2015	**2016**	**2017**
Production capacity (m^3/year) *(Note 1)*	24,186	23,316	17,487
Actual production volume (m^3/year) *(Note 2)*	14,002	19,766	14,531
Utilisation rate	57.9%	84.8%	83.1%

Notes:

1. The production capacity is calculated based on (i) one session per day, (ii) 312 working days per year or 234 working days per nine months, and (iii) 77.52 m^3, 74.73 m^3 and 74.73 m^3 maximum ready-mix concrete used per day for FY2015, FY2016 and the nine months ended 28 February 2017 respectively. The production area of our Existing Selangor Plant is approximately 680 m^2 and the average base area of each mould in the demoulding stage was approximately 4.46 m^2, 4.81 m^2 and 4.81 m^2 for FY2015, FY2016 and the nine months ended 28 February 2017 respectively. Therefore, the approximate number of moulds could be placed each session is 152 moulds, 141 moulds and 141 moulds respectively. The maximum ready-mix concrete used per day for FY2015, FY2016 and the nine months ended 28 February 2017 is the approximate number of moulds could be placed each session multiplies the average volume of ready-mix concrete needed for each mould.

2. The actual production volume is the actual concrete used for FY2015, FY2016 and the nine months ended 28 February 2017 respectively.

Machineries and equipment

As at 28 February 2017, the aggregate net carrying value of our machineries and equipment amounted to approximately RM0.8 million. During the Track Record Period, our historical capital expenditure in acquiring machineries and equipment was nil, approximately, RM0.2 million and RM0.4 million, respectively. The following table sets forth the major machineries and equipment as at 28 February 2017:

Name of machinery (number in the fixed assets register)	**Function of machinery**	**Year of acquisition**	**Cost of acquisition** *(RM)*	**Carrying value as at 28 February 2017** *(RM)*	**Average remaining useful life** *(years) (Note)*
Gantry Crane Foundation (PM41)	a structure used for supporting gantry crane	2011	68,152	24,989	4
5-ton Gantry Crane (PM43)	a structure used to straddle heavy objects	2011	124,206	57,963	4
12.5-ton Gantry Crane (PM42)	a structure used to straddle heavy objects	2011	302,800	141,307	4
Forklift (PM46)	a powered truck used to lift and move heavy materials	2012	96,900	45,220	5
Forklift (PM51)	a powered truck used to lift and move heavy materials	2013	154,000	87,267	6
15-ton Gantry Crane (PM47)	a structure used to straddle heavy objects	2012	200,000	113,333	5
Gantry Crane Foundation (PM41)	a structure used for supporting gantry crane	2016	58,560	56,608	9
Two units of 10-ton single girder c-shaped crane (PM53)	a structure used to straddle heavy objects	2016	435,925	413,731	9

Note: As per the accounting policies adopted by our Group, depreciation of our machineries and equipment is calculated using straight-line method.

As at the Latest Practicable Date, our Group had about 286 units of moulds with approximately 54 types of different sizes and loading capacities. As confirmed by our Directors, the average useful life of a single mould ranges from five to 10 years and the costs of the moulds range from RM5,000 to RM150,000 per mould, depending on their size and complexity. In the course of our operation, we produce our own moulds, which are small with less complexity, for production of our precast concrete junction boxes. We usually purchase large-sized moulds with more complexity from third party suppliers.

During the Track Record Period, we did not experience any significant interruptions in our business and operations nor any prolonged suspension of manufacturing operations arising from failure or breakdowns of machineries or equipment, which may significantly affect our financial position.

As at 28 February 2017, one unit of lorry crane, two units of motor vehicles, and two units of 10-ton single gantry cranes operated by us were financed by the finance lease agreements between our Group and the financial institutions in Malaysia whereby the ownership of the machineries remain with such financial institutions until the last instalment of the respective finance lease agreement has been paid up in full. Though the terms and conditions of the finance lease agreements entered into between our Group and the financial institutions are different, the salient terms thereof are now generalised and set out herein below:

Parties	The financial institution as the owner and our Group as the lessee.
Ownership	The item is and will continue in the ownership of the financial institution until our Group has paid up the entire lease purchase price and interests whereby, the ownership of the item will vest in our Group after the last instalment is paid to the financial institution. Our Group has no rights, benefit, title or interest otherwise than as a bailee until the last instalment is paid by our Group.
Period	Between 36 to 60 months.
Rental	Being the monthly rental payable by our Group to the financial institution.
Term charges	4.5% to 7.1% per annum.
Insurance	We shall be responsible for procuring insurance coverage for the equipment and assets.
Indemnity	We shall hold harmless and indemnify the financial institution from and against any losses, damages, claims or proceedings arising out of the use of the machinery by our Group.

As at 31 May 2015, 31 May 2016, and 28 February 2017, the carrying value of our assets held under the finance lease agreement included in property, plant and equipment amounted to approximately RM1.1 million, RM0.4 million and RM1.2 million, respectively.

Repair and maintenance

We do not have an in-house repair and maintenance team. Notwithstanding that, our production team conducts routine daily checks on the electricity connections and engines of our machineries and equipment before we use them. If any of our machineries and equipment break down or fail, our factory supervisor will inspect for minor problems and will carry out repair and maintenance. If the machineries or equipment are severely damaged, we will engage external repair and maintenance service providers.

For certain types of our heavy machineries, such as gantry cranes, we have to comply with the Factory and Machinery Act 1967 and OSHA 1994. The heavy machineries are inspected by the officer of the Department of Occupational Safety and Health, Ministry of Human Resource of Malaysia regularly. Upon the completion of the aforesaid inspection, the officer will issue a certificate of fitness to our Group, the validity of which ranges from 15 months to three years. As at the Latest Practicable Date, all our heavy machineries passed all the inspections by the said department and obtained valid certificate of fitness.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group did not suffer from any incidents in which our machineries were intentionally damaged or stolen that would cause material financial loss to us.

SALES AND MARKETING

Our Directors believe that our continuous efforts to maintain high quality products, competitive prices and on-time delivery are the key to strengthening our customer base.

As at the Latest Practicable Date, we had seven full time employees in our sales and marketing team, which is led by Mr. Loh, our executive Director and founder and Mr. Tan, our executive Director.

Mr. Loh is responsible for overseeing the sales and marketing strategies of our Group and is supported by our executive Director, Mr. Tan, who is responsible for our business development activities. Our sales and marketing strategies include the following:

Customer loyalty and retention

Our Group values the long and well-established working relationships that we have established with our customers, which is attributed to our continuity in the precast concrete junction box industry. Keeping close and frequent contact with them gives us the opportunity to serve them whenever our products are needed. Further, our sales and marketing team regularly visits and communicates with the mechanical or electrical contractors who are engaged in infrastructure upgrade or expansion works in the construction industry in order to collect up-to-date information on infrastructure or construction projects which may need our precast concrete junction boxes. They also frequently communicate with our customers to collect and understand their feedback on the quality, preferences, improvements and market demands of our products. Our sales and marketing team shares this information with our production team in order to improve our products.

Creating strong presence

Our sales and marketing team is responsible for exploring new business opportunities in other parts of Malaysia. We also participate in construction exhibitions such as the fourth Malaysia International Building, Construction and Infrastructure Technology Exhibition to increase our Group's presence, brand awareness and the publicity of our products and at the same time, understand the latest market trend.

While we secure projects via direct negotiation processes with contractors or sub-contractors, we also received invitations or referrals from past customers to participate in their projects. Our Directors believe that this is due to our track record in the industry for providing precast concrete junction boxes to various construction projects in Malaysia. These invitations and referrals are valuable opportunities that would offer us a higher chance of success due to our familiarity in collaborating with past customers.

We also have a dedicated pre-sales and technical team headed by our chief project officer, Mr. Phang Xue Zun, who works together with contractors or sub-contractors and in some cases, project managers and engineers as part of our pre-sales and technical support activities. Our sales and marketing team as well as our pre-sales and technical team will look out for project information in major newspapers as well as relevant websites of relevant government authorities or agencies. When they identify suitable projects, they will then proactively approach and submit proposals to prospective customers.

CUSTOMERS

The following tables set forth the profit of our five largest customers in the Track Record Period:

For the year ended 31 May 2015:

Customer	Revenue *(RM'000)*	Approximate percentage to the total revenue of our Group *(%)*	Principal business	Major products supplied by our Group to the customer	Approximate length of business relationship with our Group *(years)*	Credit terms *(days)*
Regal Elite Letrik Sdn. Bhd.	1,316	5.7	Electrical contractor	Precast concrete telecommunication junction boxes and precast electrical junction boxes	9	60
Customer A	975	4.2	Construction company	Precast concrete telecommunication junction boxes	2	60
Reapmax Sdn. Bhd.	613	2.6	Sub-contractor in general construction, hauliers, electrical cable living works and its related business	Precast concrete telecommunication junction boxes and precast concrete electrical junction boxes	8	30
Tele Bright Trading	608	2.6	Telephone cabling, building telephone trunking system, electrical wiring, additional telephone infraworks	Precast concrete telecommunication junction boxes and precast concrete electrical junction boxes	7	30
Bersatu Electrical Engineering Sdn. Bhd.	436	1.9	Electrical engineering company	Precast concrete telecommunication junction boxes and precast concrete electrical junction boxes	5	60
Total	3,948	17.0				

For the year ended 31 May 2016:

Customer	Revenue *(RM'000)*	Approximate percentage to the total revenue of our Group *(%)*	Principal business	Major products supplied by our Group to the customer	Approximate length of business relationship with our Group *(years)*	Credit terms *(days)*
Kum Fatt Construction Sdn. Bhd.	1,549	4.7	General contractor	Precast concrete telecommunication junction boxes	4	90
Ock Setia Engineering Sdn. Bhd.	1,519	4.6	A company which provides turnkey telecommunication network services	Precast concrete telecommunication junction boxes	1	60
Customer B	1,447	4.3	Mechanical engineering company	Precast concrete telecommunication junction boxes	3	60
Customer C	1,400	4.2	Supply and trading of telephone and electrical materials	Precast concrete telecommunication junction boxes and precast concrete electrical junction boxes	2	60
Sun-Jaya M&E Sdn. Bhd.	1,213	3.6	A company which provides electrical installations	Precast concrete telecommunication junction boxes and precast concrete electrical junction boxes	3	60
Total	7,128	21.4				

For the nine months ended 28 February 2017:

Customer	Revenue *(RM'000)*	Approximate percentage to the total revenue of our Group *(%)*	Principal business	Major products supplied by our Group to the customer	Approximate length of business relationship with our Group *(years)*	Credit terms *(days)*
Customer B	1,312	5.4	Mechanical engineering company	Precast concrete telecommunication junction boxes	3	60
Cable Line Electrical & Engineering Sdn. Bhd.	1,151	4.7	Telephone and electrical cabling and installation contractors	Precast concrete telecommunication junction boxes and precast concrete electrical junction boxes	1	60
Kum Fatt Construction Sdn. Bhd.	1,070	4.4	General contractor	Precast concrete telecommunication junction boxes	4	90
Customer D	983	4.0	A company which recycles scrap metal and manufactures and trades spare parts of agriculture machinery	Scrap metal	2	cash payment upon receiving invoice
Regal Elite Letrik Sdn. Bhd.	838	3.4	Electrical contractor	Precast concrete telecommunication junction boxes and precast concrete electrical junction boxes	9	60
Total	5,354	21.9				

We generally accept payment from customers by cheque or bank acceptance. All of our five largest customers have a principal place of business in Malaysia. For FY2015, FY2016 and the nine months ended 28 February 2017, the revenue generated by our five largest customers amounted to approximately RM4.0 million, RM7.1 million and RM5.4 million, respectively, representing approximately 17.0%, 21.4% and 21.9% of our total revenue, respectively. The revenue generated from our largest customer amounted to approximately RM1.3 million, RM1.5 million and RM1.3 million, respectively, representing approximately 5.7%, 4.7% and 5.4% of our total revenue, respectively.

During the Track Record Period, our Group had about 360 recurring customers, being the customers who had placed a purchase order for our products and placed purchase order(s) for our products again in the following year(s)/period(s) during the Track Record Period, and the year of business relationship with these recurring customers ranged from one to 11 years. During the Track Record Period, revenue contribution from these recurring customers was approximately RM19.2 million, RM29.6 million and RM19.0 million, respectively, representing approximately 83.0%, 88.9% and 77.7% of our total revenue during the corresponding year/period. Out of the 360 recurring customers, there were about 329 continuous customers which refer to customers who had placed a purchase order for our products and placed purchase order(s) for our products again in consecutive year(s)/period(s), during the Track Record Period.

None of our Directors, their respective close associates, or any Shareholders who or which, own more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of the five largest customers of our Group during the Track Record Period and up to the Latest Practicable Date. All of our five largest customers are Independent Third Parties. During the Track Record Period, our Group did not experience any major disruption in business due to material delays or defaulting payments by our customers due to their financial difficulties. Our Directors further confirm that they are not aware of any of our major customers having experienced material financial difficulties that may adversely affect our Group's businesses.

Key contract terms with our customers

Save and except for the agreement with respect to the supply of precast concrete telecommunication junction boxes and junction box covers with Telekom, our Group does not enter into any master framework agreement, long-term agreement or sales contract with our customers. The terms and conditions are set out in our quotation or purchase orders placed by our customers with us. Once the customers have accepted our quotation, the terms and conditions will become binding contracts with our customers and some customers may place separate purchase orders with us.

Our contracts with customers or purchase orders from different customers have different terms and conditions. Set out below is a summary of the typical key terms and conditions of our contracts with our customers:

Product type	The contract or purchase order specifies the type of products to be purchased by our customer.
Quantity	There is no minimum quantity per contract or per purchase order.
Contract price	Most of our contracts are lump sum fixed price contracts. The total amount of contract sum is the product of the total quantity of each type of precast concrete junction box and the unit price plus 6.0% of Goods and Services Tax.
Payment terms	Our credit period generally ranges from 30 to 120 days from the first day of the succeeding month of the invoice date. For certain contracts with large contract sum, we may request our customers to pay 30% to 50% of total contract sum upon confirmation of the quotation with the remaining contract sum to be settled upon delivery.
Credit facility granted to customers	We may grant a longer credit period to certain customers depending on their scale of operation. For further details of our credit policy, please refer to the paragraph headed "Credit policy" in this section.

Delivery	Depending on the quantity of orders, the delivery period of our products generally ranges from 15 to 30 days upon receiving purchase orders from customers.
Warranty	There is no provision for warranty on our products on warranty period.
Product return	There is no provision for product return or product replacement in the contact or purchase order.

Pricing policy

Our pricing policy aims to facilitate a profitable and sustainable growth of our business. We generally determine the prices of our precast concrete junction boxes and junction box accessories traded by us on a cost-plus basis. Since each product has its own specifications or requirements, the pricing of each new product is negotiated and determined on a case by case basis with individual customers in order to balance the profitability between our customers and our Group. In general, we determine the price of our products with reference to the following factors (i) product specifications, functional and quality requirements, complexity of the manufacturing process, sales volume, lead time and delivery schedules required by our customers; (ii) the competitive landscape of the products; (iii) production costs, especially the prevailing costs of the ready-mix concrete; and (iv) payment terms.

As a result of the "cost-plus" pricing strategy, our Directors believe that our Group can generally pass the risks arising from any fluctuation in the costs of the raw materials to our customers during the Track Record Period. We will continuously keep ourselves abreast of changes in the market price, conduct regular reviews on our pricing policy and pay close attention to our customers' responses during the quotations stage. Our Group may adjust its pricing policy to ensure our Group is responsive to market price changes and customers' responses in a timely manner to avoid any material adverse impact on our market position, competitiveness, performance and financial conditions.

Credit policy

Our credit period generally ranges from 30 to 120 days from the first day of the succeeding month of the invoice date. However, variation from this period may occur due to the following reasons: (i) individual customer's scale of operation, reputation and credibility; and (ii) individual customer's payment history. We would consider granting a credit period of 120 days to customers which had business relationship with our Group for over 10 years and have good reputation.

New customers who need a longer credit period are required to fill in our Group's standard form and disclose information such as their incorporation details, credit granted by their other suppliers, and details of their bank accounts with principal financial institutions. If necessary, we will also conduct independent search against our customers by engaging credit reporting agencies in Malaysia. Depending on our credit assessment results, we may grant credit facility, which serves as a credit limit granted to individual customers. To protect the interest of our Group, we may also require customers to provide a personal guarantee for such credit limit. Further, in the event of non-payment within the credit terms, there is a term in the credit facility letter which requires the customer to pay late payment charges on overdue amounts.

Our Group's credit policy also covers the trading of junction box accessories and our transportation rental services. In order to collect overdue trade receivables, our Group's finance department monitors overdue payments closely and prepares a monthly ageing report showing the customers' overdue amounts. In the event of overdue, we will take follow-up actions to collect the overdue trade receivables, such as communication with the relevant department of the customer responsible for processing payments. To discourage overdue trade receivables, our Group may also place the customer's order on hold if any of the following situations happen, namely: (i) customer's credit line has exceeded the credit limit; (ii) customer's payments are overdue; (iii) customer faces financial hardships or operational setback; or (iv) termination of business relationship with customer.

Our customers usually settle payments by way of bank transfer, cheques or letters of credit. During the Track Record Period, our Group did not experience material difficulty in collecting payments which caused a significant adverse impact on our business operation.

RAW MATERIALS

Major raw materials used by us for manufacturing precast concrete junction boxes include ready-mix concrete, steel bars and junction box covers. Unless the contract stipulates a nominated supplier, we select suppliers from our approved list of suppliers in Malaysia based on the types of precast concrete junction boxes to be manufactured and the prices quoted by our suppliers from time to time.

Our cost of raw materials and trading products was approximately RM11.9 million, RM18.1 million and RM12.5 million for FY2015, FY2016 and the nine months ended 28 February 2017, respectively, representing approximately 76.0%, 77.5% and 77.2% of our total cost of sales, respectively. The major types of raw materials for manufacturing our precast concrete junction boxes, such as ready-mix concrete, steel bars and junction box covers, are all sourced locally.

Our standard precast-concrete junction boxes are produced based on production plans estimated by our senior management and production team on a bi-weekly basis based on their experience in the industry and historical sales of our product during the relevant period, whereas our customised products are manufactured based on individual orders. Hence, there is no significant risk of obsolescence in respect of our raw materials in our operation.

Once the amounts are confirmed, with the assistance from our production team, our procurement staff will check the availability of our existing inventory and will then proceed to order the raw materials from suppliers as chosen from our approved list of suppliers. After our quality control team has completed the inspection of the incoming raw materials, in the case of ready-mix concrete, it would be used immediately or shortly afterwards, while for other raw materials, they will be stored at our production plant, in which we will perform categorisation and inventory tracking. Please see the paragraph headed "Quality assurance – Quality control on raw materials" in this section for details of our quality control of our raw materials.

The table below sets forth a breakdown of our cost of raw materials and trading products during the Track Record Period.

	Year ended 31 May				Nine months ended			
	2015		2016		29 February 2016		28 February 2017	
	RM'000	*% of cost of raw materials and trading products*	*RM'000*	*% of cost of raw materials and trading products*	*RM'000* (unaudited)	*% of cost of raw materials and trading products*	*RM'000*	*% of cost of raw materials and trading products*
Manufacturing and sale of precast concrete junction boxes								
– Junction box covers	4,371	36.7	6,396	35.3	4,742	35.4	4,482	35.7
– Ready-mix concrete	3,047	25.6	4,055	22.4	3,024	22.6	2,556	20.4
– Steel bars	1,543	12.9	2,487	13.7	1,803	13.4	1,602	12.8
– Others	1,276	10.6	1,545	8.6	1,200	9.0	1,024	8.1
Subtotal	10,237	85.8	14,483	80.0	10,769	80.4	9,664	77.0
Trading of junction box accessories and pipes	1,689	14.2	3,621	20.0	2,624	19.6	2,882	23.0
Total cost of raw materials and trading products	11,926	100.0	18,104	100.0	13,393	100.0	12,546	100.0

The market prices of these raw materials may be affected by a number of factors which include the supply of steel products. Our Directors confirm that there has not been any major fluctuation in the market price for these raw materials and their prices have generally been stable during the Track Record Period.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not encountered any quality issues, significant delays or shortages of the raw materials we use for production, which would otherwise adversely affect our manufacturing process.

SUPPLIERS

During the Track Record Period, save and except as disclosed in the sub-section headed "Collaboration with a Ready-mix Concrete Supplier" in this section, we did not enter into any long term contracts with any of our suppliers and have not experienced any significant shortage of raw materials and accessories causing material disruption to our operations. The risk of our over-reliance on a single supplier is low. Our Directors believe that the supply of raw materials and accessories that we usually use in manufacturing precast junction boxes is relatively stable and sufficient in the market and hence we are able to maintain our Group's independence which ultimately benefits our Group with better cost controls.

Our Group generally purchases raw materials based on (i) confirmed purchase orders from customers; (ii) our projected production schedule in the next two to three weeks; and (iii) the prevailing price of certain major raw materials, including junction box covers, ready-mix concrete and steel bars.

We generally seek price quotations from two suppliers from our list of approved suppliers and we choose one of them to place our purchase order with after comparing their terms and offers. Such practice allows us to enhance our bargaining power on price and to avoid over-reliance on a single supplier.

Our Group did not engage in any hedging activity nor did we enter into any future contract or price lock-up arrangement with our suppliers in order to manage the price fluctuation of ready-mix concrete and steel bars during the Track Record Period and we do not plan to engage in any hedging activity in the foreseeable future. However, our procurement department will closely monitor the price of the raw materials. When our Group anticipates there will be any increase in the price of raw materials or shortage of supply thereof, our Group will adjust its procurement plans accordingly in order to minimise the exposure to fluctuations in prices and supply.

Selection of suppliers

Our Group selects suppliers based on a number of criteria including but not limited to their product quality, pricing, supply capability and business track record with our Group. Our Group regularly communicates with our suppliers, and reviews their performance and background information, including their business licence(s) and requisite certifications. Based on our review, our Group has compiled and maintained a list of approved suppliers. The performance of suppliers is evaluated on a yearly basis, based on criteria such as quality of goods, response to enquiries and complaints, and ease of contacting. These suppliers or any one of them would be removed from the list should they fail to satisfy our quality and service requirements upon our periodic review.

We tend to maintain stable relationships with our suppliers to ensure that no disruption is caused to our operation as a result of any change in supplier. Our business relationship with our five largest suppliers ranged from approximately one year to over seven years as at the Latest Practicable Date.

Salient terms of our purchase orders and payment methods

Standard terms of our purchase orders: Owing to the large number of suppliers, our Directors do not consider it necessary to enter into any long-term procurement agreements with suppliers, which is in line with industry practice. Instead, our Group would issue a standard purchase order to the supplier in an ordinary purchase transaction. A standard purchase order contains specifications and quantity of raw materials to be procured by us, their unit prices and the total transaction amount, payment date, delivery method and delivery date. Suppliers are usually required to deliver the raw materials to our warehouse at their own costs on or before a specified date.

Payment methods: Our Group is generally required to settle payment within 30 to 75 days from the first day of the succeeding month of the invoice date. Sometimes, at the request of the suppliers and subject to the demand and supply conditions of the ready-mix concrete, we may need to pay the purchase price of ready-mix concrete in a short period after its delivery to our production plant. Payment of purchase price for the raw materials is generally made by cheques, bank transfers or bank acceptance bills endorsed to us by our customers and settled in RM.

The following tables set forth the profile of our five largest suppliers in the Track Record Period:

For the year ended 31 May 2015:

Supplier	Total purchase *(RM'000)*	Approximate percentage to the total purchases of our Group for that year *(%)*	Principal business	Principal raw materials purchased	Approximate length of business relationship with our Group *(years)*	Credit terms *(days)*
Supplier A	2,211	17.9	Cast iron supplier	Junction box covers	8	60-90
Engtex Sdn. Bhd. and Engtex Marketing Sdn. Bhd. *(Note 1)*	1,554	12.6	Pipes, steel products, and construction materials suppliers	Steel bars and accessories	7	60
Supplier B	1,339	10.9	Steel products suppliers	Steel bars and accessories	8	60
Supplier C	1,044	8.5	Ready-mix concrete supplier	Ready-mix concrete	8	60
Supplier D	916	7.4	Cast iron, piping and joints supplier	Junction box covers	7	60
Total	7,064	57.3				

For the year ended 31 May 2016:

Supplier	Total purchase *(RM'000)*	Approximate percentage to the total purchases of our Group for that year *(%)*	Principal business	Principal raw materials purchased	Approximate length of business relationship with our Group *(years)*	Credit terms *(days)*
Engtex Sdn. Bhd. and Engtex Marketing Sdn. Bhd. (*Note 1*)	3,374	18.4	Pipes and steel products and construction material suppliers	Steel bars and accessories	7	60
Supplier E	2,518	13.7	Ready-mix concrete supplier	Ready-mix concrete	3	60
Supplier A	2,454	13.4	Cast iron supplier	Junction box covers	8	60-90
Supplier F (*Note 2*)	2,295	12.5	Recycle of scrapped metal and manufacturing and trading of spare parts of agriculture machinery	Junction box covers	2	Cash payment upon receiving invoice
Supplier B	1,491	8.1	Steel products supplier	Steel bars and accessories	8	60
Total	12,132	66.1				

For the nine months ended 28 February 2017

Supplier	Total purchase *(RM'000)*	Approximate percentage to the total purchases of our Group for that year *(%)*	Principal business	Principal raw materials purchased	Approximate length of business relationship with our Group *(years)*	Credit terms *(days)*
Hanson Building Materials Malaysia Sdn. Bhd.	1,967	12.1	Ready-mix concrete supplier	Ready-mix concrete	6	60
Engtex Sdn. Bhd. and Engtex Marketing Sdn. Bhd. *(Note 1)*	1,727	10.7	Pipes and steel products and construction material suppliers	Steel bars and accessories	7	60
Supplier F *(Note 2)*	1,576	9.7	A company which recycles scrap metal and manufactures and trades spare parts of agriculture machinery	Junction box covers	2	Cash payment upon receiving invoice
Supplier B	1,386	8.5	Steel products supplier	Steel bars and accessories	8	60
Supplier A	1,241	7.7	Cast iron supplier	Junction box covers	8	60-90
Total	7,897	48.7				

Notes:

1. To the best knowledge and belief of our Directors after making reasonable enquiries, Engtex Sdn. Bhd. and Engtex Marketing Sdn. Bhd. belong to the same group of companies.

2. To the best knowledge and belief of our Directors after making reasonable enquiries, Supplier F includes two companies which have a common controlling shareholder.

Relationship with our five largest suppliers during the Track Record Period

During the Track Record Period, our purchases from our five largest suppliers amounted to approximately RM7.1 million, RM12.2 million and RM7.9 million, respectively, representing approximately 57.3%, 66.1% and 48.7% of our total purchases, respectively, while our purchases from our largest supplier amounted to approximately RM2.2 million, RM3.4 million and RM2.0 million, respectively, representing approximately 17.9%, 18.4% and 12.1% of our total purchases, respectively. Our Group regards the suppliers that have a common controlling shareholder or are within the same group of companies as a single supplier group.

None of our Directors, their respective close associates or any Shareholder (who, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest suppliers during the Track Record Period. All of our five largest suppliers are Independent Third Parties.

Relationships with major customers that were also our major suppliers during the Track Record Period

During the Track Record Period, two groups of our customers, namely (i) Engtex Sdn. Bhd., and Engtex Marketing Sdn. Bhd., and (ii) Customer D, were also our suppliers. Engtex Sdn. Bhd. and Engtex Marketing Sdn. Bhd. are both private limited companies incorporated in Malaysia and are subsidiaries of Engtex Group Bhd, a company listed on the Main Market of Bursa Malaysia Securities Berhad (stock code: 5056). Engtex Sdn. Bhd. is mainly engaged in distribution of pipes, fittings, plumbing materials, and steel related products while Engtex Marketing Sdn. Bhd. is mainly engaged in distribution of construction materials. Customer D is also our Supplier F which includes two private limited companies incorporated in Malaysia which have a common shareholder, with a company mainly engaged in recycle of scrap metal and the other is mainly engaged in manufacturing and trading spare parts of agriculture machinery.

During the Track Record Period, we provided precast concrete junction boxes and junction box accessories to Engtex Sdn. Bhd. and Engtex Marketing Sdn. Bhd.. For FY2015, FY2016 and the nine months ended 28 February 2017, our total revenue generated from Engtex Sdn. Bhd. and Engtex Marketing Sdn. Bhd. amounted to approximately RM411,000, RM288,000 and RM121,000, respectively, representing approximately 1.8%, 0.9% and 0.5% of our total revenue, respectively.

During the Track Record Period, we sourced steel bars from Engtex Sdn. Bhd. and Engtex Marketing Sdn. Bhd. For FY2015, FY2016 and the nine months ended 28 February 2017, our total purchases from Engtex Sdn. Bhd. and Engtex Marketing Sdn. Bhd. amounted to approximately RM1.6 million, RM3.4 million and RM1.7 million, respectively, representing approximately 12.6%, 18.4%, and 10.7% of our total purchases for the corresponding periods. Our Directors confirm that the terms of engagement we entered into with other suppliers were similar to those we entered into with Engtex Sdn. Bhd.. and Engtex Marketing Sdn. Bhd..

During the Track Record Period, we also provided scrap metal to Customer D/Supplier F. For FY2015, FY2016 and the nine months ended 28 February 2017, our total revenue generated from Customer D/Supplier F amounted to approximately RM20,000, RM0.2 million and RM1.0 million, respectively.

During the Track Record Period, we sourced raw materials such as junction box covers from Customer D/Supplier F. For FY2015, FY2016 and the nine months ended 28 February 2017, our total purchases from Customer D/Supplier F amounted to approximately RM0.3 million, RM2.3 million and RM1.6 million, respectively, representing approximately 2.7%, 12.5% and 9.7% of our total purchase for the corresponding periods. Our Directors confirm that the terms of engagement we entered into with other suppliers were similar to those we entered into with Customer D/Supplier F.

INVENTORY MANAGEMENT

Our inventory is comprised mainly of raw materials and finished products. Ms. Siew Poi Voon, our factory manager, is responsible for monitoring the inventory level to meet the production requirements and minimise any waste on inventory or obsolete inventory. As at 31 May 2015, 31 May 2016 and 28 February 2017, our inventories amounted to approximately RM0.8 million, RM1.0 million and RM1.0 million, respectively, representing approximately 5.8%, 5.8% and 4.3% of our total current assets, respectively.

Raw materials

We formulate our procurement plan and budget for purchases of the raw materials that we frequently use in the production of our precast concrete junction boxes, including steel bars and junction box covers, based on our projected production plans in two to three weeks. This is to avoid accumulation of excessive inventories and to meet our continuous production needs. As to the ready-mix concrete, owing to its plastic or unhardened state, ready-mix concrete has to be consumed soon after it is mixed, therefore we do not keep an inventory of ready-mix concrete. Instead, we order the ready-mix concrete on a weekly basis based on our production plan. The ready-mix concrete is delivered to our Existing Selangor Plant on a daily basis and is used for the production of precast concrete junction boxes soon after it has been delivered to our production plant. Hence, the timing for the delivery of the ready-mix concrete to our production plant would affect the implementation of our production plan. For FY2015, FY2016 and the nine months ended 28 February 2017, we occasionally experienced delay in the delivery of ready-mix concrete primarily due to (i) unforeseen bad weather; and (ii) unexpected road traffic.

Finished products

Our Group closely monitors the inventory level of finished goods to minimise the inventory level. Ms. Siew Poi Voon, our factory manager, will determine the minimum stock level of our products based on customers' past orders. We maintain a full stock report on finished goods at our office upon completion of the monthly stock check and the verification of our head of factory. We update the data entry on the daily production schedule on a day-to-day basis into our stock control system.

We perform a full stock take on a monthly basis to ensure the accuracy of stock-in and stock-out information on record. Throughout the year, our Group reviews the stocktaking records and performs inventory ageing analysis to ensure that inventories are properly used and that there is no unnecessary accumulation of aged inventories. We normally accumulate finished products that are in high demand for a period of around one to two weeks.

COLLABORATION WITH A READY-MIX CONCRETE SUPPLIER

In order to exercise better control over the costs of the ready-mix concrete and secure punctual supply of ready-mix concrete, we entered into a legally-binding collaboration agreement (the "**Collaboration Agreement**") with the Ready-mix Concrete Supplier, a company which holds a valid batching plant licence, on 24 February 2017. For further details about the Collaboration Agreement, please refer to the paragraph headed "The Collaboration Agreement" in this section.

The Ready-mix Concrete Supplier

The Ready-mix Concrete Supplier is a private limited liability company established under the laws of Malaysia, which had obtained all the necessary approvals from the authorities in Malaysia to operate a mini-batching plant. It is estimated that the production capacity of the mini-batching plant will be approximately 26,400 m^3 per annum.

The volume of ready-mix concrete consumed by our Group for the years ended 31 May 2013, 2014, 2015 and 2016 was 10,323 m^3, 12,423 m^3, 14,002 m^3 and 19,766 m^3 respectively. Taking into account the estimated maximum production capacity of the mini-batching plant and our Group's actual consumption of 19,766 m^3 of ready-mix concrete for FY2016, our Directors expect that the mini-batching plant can supply the entire ready-mix concrete that our Existing Selangor Plant would need for production. However, upon implementation of our expansion plan, in particular, the commencement of operation of the New Kulaijaya Plant, it would supply approximately 96% of ready-mix concrete that our Existing Selangor Plant would need for production. It will not be able to supply ready-mix concrete to our New Kulaijaya Plant due to the time required for delivery of the ready-mix concrete from the mini-batching plant to our New Kulaijaya Plant.

The Ready-mix Concrete Supplier currently has two shareholders. One of whom is our current employee (being a sales and procurement manager with the employment of Target S&M commenced in November 2006) while the other is our previous employee (being a production planner with the employment of Target Precast commenced in November 2009 and resigned of his own accord in April 2016). The Ready-mix Concrete Supplier currently has two directors, who are our current employees (one being a crane operator with the employment of Target Precast in December 2006 and transferred to Target C&L in November 2013 and one being a warehouse executive with the employment of Target Precast in January 2014). For those who are still under our employment, they have undertaken to tender their resignations upon commencement of operation of the mini-batching plant. Our Directors confirm that their departure of our Group would not cause any disruption to our business operation. Save for the employer-employee relationships, our Directors confirm that there are no other relationships between our Group and the four said employees/ex-employees.

Apart from the area in our Existing Selangor Plant allocated for the establishment of the mini-batching plant and the facilities therein, the machineries and raw materials provided by us at no cost for production of ready-mix concrete, the four said employees/ex-employees will set up and operate the mini-batching plant by their own resources, as the funding for setting up the mini-batching plant was minimal, the employees were able to provide the funding from their own resources. Our Directors consider that the skills in the manufacturing of precast concrete junction box can be applied to the operation of the mini-batching plant and the employees can therefore leverage their knowledge and experience in the management and operation of the mini-batching plant.

Background leading to the setting up of the mini-batching plant

While our Group had and has no plan or intention whatsoever in the past, at present or in the future to expand our current business operation to the ready-mix concrete industry nor to apply for a batching plant licence and operate a batching plant of our own, we need to secure a stable and speedy supply of ready-mix concrete in support of our business expansion plan and to achieve a sustainable growth of our business in the manufacture and sale of precast concrete junction boxes in Malaysia.

The then shareholders of the Ready-mix Concrete Supplier, including the ex-employees or current employees of our Group, had initially expressed to us that they were desirous of starting their own business in the ready-mix concrete industry in or around October 2013. Considering that the business of the mini-batching plant would not compete with the business of our Group in all respects; and the benefits it might bring to the operation of our business (details of which are set out in the paragraph headed "– Reasons for entering into the Collaboration Agreement with the Ready-mix Concrete Supplier" in this section), in particular, securing a stable and speedy supply of quality ready-mix concrete, we decided to support these employees by, *inter alia*, setting aside a portion of area in our Existing Selangor Plant for setting up the mini-batching plan and entering into a sub-lease with the Ready-mix Concrete Supplier in order to facilitate the Ready-mix Concrete Supplier to apply for the batching plant licence. Hence, our Group has all along been aware of their application, for the batching plant licence.

The sub-lease should commence on 1 November 2013 and was terminable by either the Ready-mix Concrete Supplier and us by serving two months' notice to the other party and the rental thereunder was RM12,000 per annum (excluding utilities usage). However, as both the Ready-mix Concrete Supplier and our Group had no intention to implement the sub-lease until the collaboration arrangement had been finalised, the sub-lease has never been implemented and no rental payment was received by us. The sub-lease was effectively superseded by the Collaboration Agreement.

The Ready-mix Concrete Supplier obtained the batching plant licence in January 2014. However, owing to the relatively moderate scale of our operation at that time, both our Group and the Ready-mix Concrete Supplier did not think there was an imminent urge for the parties to expedite the establishment of the mini-batching plant or conclude on the terms of the collaboration arrangement in respect of the supply of ready-mix concrete. As such, we did not proceed to enter into a collaboration agreement with the Ready-mix Concrete Supplier when it obtained the batching plant licence in 2014.

Though our Group had started to experience an substantial increase in its revenue from FY2014 to FY2015, our Group did not resume the negotiation with the Ready-mix Concrete Supplier instantly by that time as we need an observation period to ensure that such increase of our revenue could sustain for a reasonable period of time. Our Group's business had continued to grow significantly during the Track Record Period, particularly, since December 2015. Since then, our Group considered there was an imminent need to resume our negotiation with the Ready-mix Concrete Supplier regarding the collaboration arrangement (the "**Negotiation**"). Furthermore, the tender notice published by Telekom for the supply of telecommunication junction boxes and junction box covers in Peninsular Malaysia for a period of three years in June 2016 catalysed the Negotiation as our Group was confident that we could award the tender taking into account our leading position in the industry and the quality of our products and therefore, we would be able to maintain our business growth and consume all or a large part of ready-mix concrete to be manufactured by the mini-batching plant. Our Group and the Ready-mix Concrete Supplier then resumed the Negotiation for securing a stable and timely supply of ready-mix concrete, which is of paramount importance to our business growth and can cater for our tight production schedule. We started seeking quotations for the batching plant machineries and equipment in May 2016. It would take time for us to compare the quotations and verify the functions of the machineries and equipment before we could place orders for them. The batching plant machineries and equipment and the arrangement under the Collaboration Agreement would be funded by our Group's own internal resources. On 23 December 2016, our Group successfully entered into a letter of award with Telekom, which is legally-binding, for the supply of precast concrete telecommunication junction boxes and junction box covers to Telekom for a period between 1 January 2017 to 31 December 2019. We have already signed the formal agreement on 24 January 2017 pending the return of agreement duly signed by Telekom. To be best knowledge and belief of our Directors after making reasonable enquiries, it is estimated that Telekom will sign and return the agreement in late July 2017. Notwithstanding that, the letter of award had commenced effectively and up to the date hereof, Telekom has placed purchase orders for precast concrete junction boxes with a total contract sum of approximately RM94,000 up to 7 June 2017, of which the precast concrete junction boxes with a total sale price of approximately RM34,000 had been delivered to Telekom up to 31 May 2017. The agreement contemplated in the letter of award would be worth approximately RM21.4 million. Our Directors, based on their best knowledge and belief after making an enquiry with Telekom, expect that a substantial portion of the precast concrete junction boxes will be delivered to Telekom's projects in each of Southern Malaysia and Central Malaysia. In this regard, the mini-batching plant will focus on the supply of ready-mix concrete to our Existing Selangor Plant (as the ready-mix concrete supplied by the mini-batching plant can satisfy the production capacity of our Existing Selangor Plant) while we will continue to source ready-mix concrete for our New Kulaijaya Plant from third party suppliers. Our Directors confirm that the agreement contemplated in the letter of award is the first agreement entered directly between our Group and Telekom without the involvement of contractors or sub-contractors, whereby our Group may capture a higher profit margin in the sale of our precast concrete junction boxes. In view of the letter of award from Telekom, our Group then finalised the terms of the Collaboration Agreement and signed the Collaboration Agreement with the Ready-mix Concrete Supplier on 24 February 2017. As at the Latest Practicable Date, we had completed the selection of the batching plant machineries and equipment and paid the deposits for these machineries and equipment. We expect that the total capital expenditure to be incurred by our Group for the establishment of the mini-batching plant is approximately RM733,000 and the mini-batching plant can start operation by stages in the third quarter of 2017.

According to the legal opinion of our Malaysian Legal Advisers, there is no legal impediment for our Group to obtain a batching plant licence, save that we cannot use the current location of the mini-batching plant in our application or within the same area as the Ready-mix Concrete Supplier has already obtained a licence in that address. Our Malaysian Legal Advisers, after making enquiries with various government departments, with the view that an application for a batching plant licence may take at least 15 to 18 months.

We prefer engaging the Ready-mix Concrete Supplier pursuant to the Collaboration Agreement over setting up our own mini-batching plant, though we have to provide the majority of the resources required, like the land for the mini-batching plant, all necessary raw materials, facilities and machineries; and given that there is no legal impediment for us to obtain a batching plant licence and we can also retain the relevant employees for the operation of the plant, due to the following reasons:

(i) we wish to continue to focus on our core business of manufacturing and sale of precast concrete junction boxes and maintain our leading position in the precast concrete junction box industry in Malaysia instead of entering into the ready-mix concrete manufacturing industry, the prospect of which is unknown to us;

(ii) through the collaboration arrangement, we do not need to spend time and effort maintaining the mini-batching plant and its batching plant licence; and

(iii) the collaboration arrangement would give us more flexibility in sourcing ready-mix concrete as we are not obligated to purchase ready-mix concrete from the Ready-mix Concrete Supplier unless the quality of its ready-mix concrete meets our requirements and the terms offered to us are no less favourable than those offered by third party suppliers but on the other hand, we can secure sufficient source of readily available ready-mix concrete to cater for our tight production schedule.

By setting up our own mini-batching plant and entering into the Collaboration Agreement with our Group, it is estimated that the Ready-mix Concrete Supplier might have an extra gain of approximately RM0.09 million (being RM0.43 million (the estimated aggregate service fees based on our consumption of ready-mix concrete in FY2016) minus RM0.19 million (being the variable costs including cleaning expenses, disposable charges for wastage, utilities, diesel and maintenance costs) minus RM0.15 million (being the existing total annual salaries of the four current employees/ex-employees)) as at the Latest Practicable Date.

The tables below summarise the impact to each of our Group and the Ready-mix Concrete Supplier in different scenarios particularised:-

From our Group's perspective:-

Factors considered	Purchasing ready-mix concrete from third parties	Setting up our own mini-batching plant	Entering into the Collaboration Agreement with the Ready-mix Concrete Supplier
Unit cost	Subject to market supply and conditions	Raw material costs plus operating costs, including staff costs and other variable costs, which are subject to fluctuation	Mainly raw material costs plus service fee of RM22 per m^3
Capital expenditure	N/A	Costs for acquisition of machineries and equipment and the provision of venue for setting up the mini-batching plan	
Cost saving as compared to purchasing ready-mix concrete from third parties	N/A	Approximately RM0.89 million per annum could be saved	Approximately RM0.80 million per annum could be saved
Timely and stable supply	Our Group has experienced delays in the supply of ready-mix concrete	Better arrangement for our Group due to the vicinity of the mini-batching plant and the control exerted to the production and delivery schedule of the ready-mix concrete	
Management effort from our Group	N/A	Additional effort from our Directors required for monitoring the operation of our own mini-batching plant	No effort from our Directors required as the Ready-mix Concrete Supplier would be incentivised by the Collaboration Agreement to improve their operational efficiency

Conclusion

In light of the above, entering into the Collaboration Agreement with the Ready-mix Concrete Supplier is the best approach for our Group given the stable and timely supply of ready-mix concrete, and the cost and efforts we can save.

From the Ready-mix Concrete Supplier's perspective:-

Factors considered	Ready-mix Concrete Supplier setting up its own mini-batching plant without entering into any collaboration arrangement with our Group	Four of the shareholders and/or directors of the Ready-mix Concrete Supplier to continue to work as employees of our Group	Ready-mix Concrete Supplier entering into the Collaboration Agreement with our Group
Capital expenditure	Borne by the Ready-mix Concrete Supplier	Nil	Nil
Economic benefits	Uncertain income stream	Limited by an annual salary of approximately RM0.15 million	The Ready-mix Concrete Supplier would have a potential extra gain of approximately RM0.09 million (being the estimated aggregate service fees minus all variable costs and minus the existing total annual salaries of the four current employees/ex-employees). In addition, the Ready-mix Concrete Supplier might also enjoy a potential upside due to: (i) its own operational efficiency enhancement; and (ii) potential future business expansion of our Group

Conclusion

In light of the above, entering into the Collaboration Agreement with our Group is the best approach to the Ready-mix Concrete Supplier as there is no capital expenditure required, extra income, and a potential upside through operational efficiency enhancement and potential future business expansion of our Group.

The Collaboration Agreement

(a) Description of transaction

The principal terms of the Collaboration Agreement are set out below:

(i) The Collaboration Agreement shall be for a term of 36 months subject to the fulfilment of the conditions stated in (ii) below;

(ii) The Collaboration shall be conditional upon the Ready-mix Concrete Supplier having successfully completed a 30-day trial run period and our Group being satisfied with the production schedule and the quality of the ready-mix concrete during the trial run period. If the Ready-mix Concrete Supplier fails to comply with any of its obligations under the Collaboration Agreement, our Group may by notice in writing of not less than 60 days terminate the Collaboration Agreement. As the Collaboration Agreement does not provide that the Ready-mix Concrete Supplier has the right to terminate the Collaboration Agreement, the Ready-mix Concrete Supplier is therefore not able to terminate the Collaboration Agreement before expiration without the consent of our Group;

(iii) The Ready-mix Concrete Supplier shall set up a mini-batching plant at the designated area of our Existing Selangor Plant and no rental cost will be charged by our Group;

(iv) The ready-mix concrete produced by the mini-batching plant shall be supplied to our Group on an exclusive basis;

(v) Our Group shall provide the facilities and machineries to the Ready-mix Concrete Supplier, while the Ready-mix Concrete Supplier shall bear all the costs and expenses arising from the operation of the mini-batching plant such as utilities charges, the repair and maintenance of the equipment, and shall not use the facilities and machineries to produce any product without the consent of our Group;

(vi) All necessary raw materials for production of ready-mix concrete shall be provided by us at no cost;

(vii) We shall pay the Ready-mix Concrete Supplier, on a monthly basis, the service fee of ready-mix concrete produced by the Ready-mix Concrete Supplier at the mini-batching plant. The service fee for each m^3 of ready-mix concrete shall be not more than RM22; and

(viii) The Ready-mix Concrete Supplier shall observe and comply with all laws, by-laws, rules and regulations pronounced by the Malaysian government and any appropriate or competent authorities which will affect the land on which the mini-batching plant is operated and shall keep our Group indemnified against all actions, loss or damages suffered by our Group as a result of any default of the Ready-mix Concrete Supplier or any injury occasioned to the mini-batching plant.

The Collaboration Agreement constituted the final agreement between our Group and the Ready-mix Concrete Supplier and shall supersede all prior agreements and understandings between our Group and the Ready-mix Concrete Supplier. Our Directors further confirm that there is no side agreement or arrangement between our Group and the Ready-mix Concrete Supplier.

Our Group had not provided raw materials to any third party ready-mix concrete supplier during the Track Record Period. However, our Directors consider that supplying raw materials to the Ready-mix Concrete Supplier allows us to have a better control over the quality of ready-mix concrete. Furthermore, it is not uncommon in the ready-mix concrete manufacturing industry for ready-mix concrete suppliers to enter into similar collaboration arrangements with their customers whereby they produce ready-mix concrete with the raw materials supplied by the customers and in return charge the customers with service fees.

Our Directors confirmed that the service fee would be determined after arm's length negotiations between the parties with reference to the prevailing market price of ready-mix concrete; and the service fee charged by other ready-mix concrete suppliers under similar arrangements.

Pursuant to the terms of the Collaboration Agreement, we can exercise control over the machineries and equipment as well as raw materials provided to the mini-batching plant for production of ready-mix concrete, the production schedule and quality of the ready-mix concrete by providing specifications to the Ready-mix Concrete Supplier in mixing the ready-mix concrete (which arrangement is the same between our Group and other third party ready-mix concrete suppliers). Apart from the aforesaid, neither our Group nor its connected persons have any interest nor any other involvement in the business, operations or management of the Ready-mix Concrete Supplier. Therefore, our Directors confirmed that save for the aforesaid, our Group is not able to control or exert significant influence over the shareholding legal entity and management of the Ready-mix Concrete Supplier.

Our Directors further confirm that there are occasions that other players in the industry have entered into similar collaboration arrangements with third party ready-mix concrete suppliers by providing raw materials to these suppliers for production of ready-mix concrete and paying the service fee to these suppliers in consideration thereof and although such arrangement is not uncommon, our Directors take the view then this arrangement does not constitute an industry norm. On the other hand, our Directors are not aware if the suppliers under such collaboration arrangements are founded by the employees of these other players in the industry.

Arm's length commercial decision between the parties: Pursuant to the Collaboration Agreement, the Ready-mix Concrete Supplier shall operate the mini-batching plant at the designated area of our Existing Selangor Plant, and shall produce the ready-mix concrete to our Group on an exclusive basis. On the other hand, there is no restriction forbidding the Ready-mix Concrete Supplier to operate other batching plant(s) or other business outside our Existing Selangor Plant nor is there any restriction of the sale of the ready-mix concrete produced from other batching plants to any third parties. Given that our Group has provided the venue, all machineries and raw materials to the Ready-mix Concrete Supplier, our Directors take the view that with the collaboration arrangement, the Ready-mix Concrete Supplier shall provide ready-mix concrete to our Group on an exclusive basis is an arms' length commercial decision.

Our Directors would ensure that the arrangement with the Ready-mix Concrete Supplier will be conducted in a fair and reasonable manner by, among others, strictly implementing the relevant internal control measures, and ensuring that the terms and conditions of the Collaboration Agreement would not be less favourable to our Company, so that the interest of our shareholders and our Company would be well protected.

It is expected that the mini-batching plant will commence operation in the third quarter of 2017. We had not paid any service fees to the Ready-mix Concrete Supplier during the Track Record Period.

(b) Reasons for entering into the Collaboration Agreement with the Ready-mix Concrete Supplier

Our Group entered into the Collaboration Agreement with the Ready-mix Concrete Supplier due to the following reasons:

(i) Ready-mix concrete is one of the key raw materials of our Group for production of precast concrete junction boxes. For FY2015, FY2016 and the nine months ended 28 February 2017, our cost of ready-mix concrete amounted to approximately RM3.0 million, RM4.1 million and RM2.6 million, respectively, represented approximately 25.6%, 22.4% and 20.4% of our total cost of raw materials and trading products for the respective period. Our Directors believe that the supply arrangement contemplated in the Collaboration Agreement will enable our Group to have a better control over the cost and quality of the ready-mix concrete to be used in production;

(ii) Taking into account the facts that the operation of the mini-batching plant is similar to the operation of our current production plant, our current or ex-employees, who own and operate the Ready-mix Concrete Supplier, can leverage their skill, knowledge and experience in the operation of the mini-batching plant. On the other hand, given the Ready-mix Concrete Supplier has already held a valid batching plant licence, it would save our time and cost if we enter the Collaboration Agreement with the Ready-mix Concrete Supplier instead of applying for our own batching plant licence;

(iii) Our Group experienced delays in receiving ready-mixed concrete from our suppliers during the Track Record Period due to reasons such as unpredictable traffic conditions and unforeseeable bad weather. With the establishment of a mini-batching plant within our Existing Selangor Plant, our Group will be able to ensure sufficient and swift supply of ready-mix concrete, which is helpful for us to plan our production schedule, minimise the risk of delivery delays and any interruption of the production process. In particular, owing to the limited time span between mixing and curing ready-mix concrete, we cannot maintain a high inventory level of ready-mix concrete at our production plant and the ready-mix concrete will be used soon after it has been delivered to our production plant. Any delay in delivering the ready-mix concrete to us would adversely interrupt our production process. With the mini-batching plant set up at the designated area of our Existing Selangor Plant, it would mitigate the risks arising from the delay in delivery of the ready-mix concrete to our plant. Once our Group has purchased 1,767 m^3 of ready-mix concrete from the Ready-mix Concrete Supplier per annum, our Group's total expenditure incurred for the establishment of the mini-batching plant per annum would reach the breakeven point. The calculation is as follows:-

$$\frac{\text{The annual fixed cost of RM76,000 (\textit{Note 1})}}{\text{(The market price per m}^3\text{ of ready-mix concrete (\textit{Note 2}) – the variable cost for production per m}^3\text{ of ready-mix concrete – service fees payable to the Ready-mix Concrete Supplier (\textit{Note 3}))}}$$

Notes:

1. The annual fixed cost incurred in relation to the mini-batching plant in the sum of RM76,000 include (i) annual depreciation of the machinery and equipment; and (ii) annual rental cost the area allocated for the mini-batching plant

2. The market price per m^3 of ready-mix concrete was approximately RM205 for FY2016

3. The variable cost for production of per m^3 of ready-mix concrete include the raw material costs (being RM140 per m^3) and the service fees payable to the Ready-mix Concrete Supplier (being RM22 per m^3)

Given our Group has borne all the set-up cost of the mini-batching plant by, *inter alia*, allocating an area for the establishment of the mini-batching plant, providing all the facilities and machineries and raw materials for production of the ready-mix concrete, in calculation of the breakeven point of the Ready-mix Concrete Supplier, reference shall be based on the latest basic salaries of the relevant ex-employees and current employees of our Group who are the shareholders or directors of the Ready-mix Concrete Supplier. Their aggregate latest monthly salary was RM12,650.

The annual basic salary of RM151,800 (*Note 1*)
Service fees payable to the Ready-mix Concrete Supplier – variable cost for production of per m^3 of ready-mix concrete (*Note 2)*

Notes:

1. RM12,650 x 12 months

2. The variable cost for production of per m^3 of ready-mix concrete include water, electricity and machinery maintenance (being RM9.57 per m^3) and the service fees payable to the Ready-mix Concrete Supplier (being RM22.0 per m^3)

In light of the above, the estimated breakeven point for the Ready-mix Concrete Supplier would be 12,212 m^3 per annum.

(iv) Based on the assumption of an annual purchase of approximately 20,000 m^3 of ready-mix concrete from the Ready-mix Concrete Supplier (base on the actual volume of approximately 19,766 m^3 of ready-mix concrete we consumed in FY2016 which is within the capacity of the Ready-mix Concrete Supplier) and taking into account all relevant costs (including raw materials, the acquisition cost and depreciation of machinery and equipment and rental cost of the area allocated for the establishment of the plant), our Directors expect that approximately RM0.8 million per annum can be saved and the calculation of which is as follows:–

(Actual cost of ready-mix concrete for FY2016 in the sum of RM4.1 million) - (The aggregate of raw material costs in the sum of RM2.8 million *(Note 1)* + Service fees of RM0.4 million *(Note 2)* + Depreciation of machinery and equipment and rental cost in the sum of RM0.08 million *(Note 3)*, being RM3.3 million) = RM0.8 million

Notes:

1. 20,000 m^3 of ready-mix concrete x RM140 (being the cost of raw materials mainly include cement, sand, chemical and coarse aggregate for production of ready-mix concrete based on the quotations obtained by our Group).

2. A sum of RM22 per m^3 represents the maximum service fee payable to the Ready-mix Concrete Supplier per m^3 under the Collaboration Agreement.

3. The depreciation of machinery and equipment and rental cost per annum is expected to be approximately RM0.08 million based on our Company's accounting policy and the actual area of the mini-batching plant.

(v) If our Group is to set up and run the mini-batching plant ourselves instead of purchasing ready-mix concrete from the Ready-mix Concrete Supplier, our Group can save the service fee of approximately RM0.4 million per annum payable to the Ready-mix Concrete Supplier while it is estimated that our Group has to incur approximately RM0.31 million per annum as salary, administrative expenses, the maintenance fees of the machineries and equipment and other variable costs. Therefore, as compared with purchasing ready-mix concrete from the Ready-mix Concrete Supplier, it is estimated that our Group can save approximately RM0.09

million per annum. Despite the saving in cost, taking all pros and cons of operating a batching plant of our own, and the time and effort for us to apply for a batching plant licence, our Directors take the view that the collaboration arrangement would be more beneficial to our Group's business and operation.

If the internal control measures on the Ready-mix Concrete Supplier in the paragraph headed "Our internal control measures on the Ready-mix Concrete Supplier" in this section are satisfied, depending on the prevailing market price of the ready-mix concrete, we shall purchase approximately 20,000 m^3 of ready-mix concrete from the Ready-mix Concrete Supplier.

(c) Our internal control measures on the Ready-mix Concrete Supplier

Our Group will place order to the Ready-mix Concrete Supplier on the basis that the service fee plus the cost of raw materials and overheads will not in aggregate be less favourable than the price of ready-mix concrete offered by independent third party suppliers as set out below.

To mitigate the risk of possible manipulation of the transactions under the Collaboration Agreement, we will adopt the following measures (the "**Measures**"):–

(i) Our independent non-executive Director will review the transactions with the Ready-mix Concrete Supplier on a yearly basis and confirm their views in our annual report, whether the transactions have been entered into (1) in the ordinary and usual course of business of our Group; (2) on normal commercial terms or better; and (3) according to the agreement governing them and the terms of the transactions are no less favourable than those offered by other independent third party suppliers; and

(ii) our Company will engage our auditors to report on the transactions with the Ready-mix Concrete Supplier every year. The auditors must provide a letter to our Board confirming whether anything has come to their attention that causes them to believe that the transactions (1) have not been approved by the Board; and (2) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions. Our Company shall disclose in our annual report on whether the auditors have provided such letter to the Board and have confirmed the relevant matters in the letter; and the annual review by the auditors will be performed in accordance with ISRS 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information".

If the Measures are not met, our Company shall disclose the reasons for not meeting the Measures in our annual report.

By entering into the Collaboration Agreement with the Ready-mix Concrete Supplier, our Directors expect that the Ready-mix Concrete Supplier will become our major supplier of ready-mix concrete. While our Directors confirm that our Group has no intention to limit ourselves to purchasing ready-mix concrete from the Ready-mix Concrete Supplier only, unless the terms it offers to us will not be less favourable than those offered by third party suppliers having taken into account the following factors and measures taken by our Group, our Directors consider that our potential reliance on the Ready-mix Concrete Supplier would not affect our business prospects and sustainability.

1. *We are the sole customer of the Ready-mix Concrete Supplier:* Pursuant to the Collaboration Agreement, the Ready-mix Concrete Supplier will supply ready-mix concrete to us exclusively. Upon successful completion of the 30-day trial run period by the Ready-mix Concrete Supplier, if our Group is satisfied with the quality of the ready-mix concrete, both our Group and the Ready-mix Concrete Supplier expect to continue the business relationship between each other throughout the term of the Collaboration Agreement.

2. *We will only purchase from the Ready-mix Concrete Supplier if the aggregate cost is not less favourable than from independent third party suppliers:* Before we place orders with the Ready-mix Concrete Supplier for production of ready-mix concrete for us, we will obtain quotation from at least two other ready-mix concrete suppliers and compare the price and terms offered by these two ready-mix concrete suppliers to the Ready-mix Concrete Supplier to ensure that the service fees we will pay to the Ready-mix Concrete Supplier are fair and reasonable and such service fee plus the cost of raw materials, the depreciation of machinery and the rental cost of the land in aggregate will not be less favourable than the price of purchasing ready-mix concrete offered by the independent third party suppliers.

3. *We can exert certain degree of control over the production and the quality of the ready-mix concrete:* The operation of the min-batching plant is similar to our current operation as both would involve the use and deployment of automated machineries and skilful workers.

   Similar to the arrangement that we placed purchase orders with third party ready-mix concrete suppliers during the Track Record Period, we would continue to provide the specifications (in terms of strength, workability, slump, water proofing and/or setting times) to the Ready-mix Concrete Supplier so that it can mix and provide ready-mix concrete to us according to our specifications. As such, we can exert control over the quality of the ready-mix concrete. Furthermore, we can exercise control over the quantity and production schedule of the ready-mix concrete through the timing we place purchase orders on it.

QUALITY ASSURANCE

We believe that a stringent quality control over our products and services is crucial to our continued success. We place strong emphasis on achieving consistently high quality for our products. Our quality control team consists of two employees who report to Ms. Siew Poi Voon, our factory manager. Our quality control team is responsible for overseeing the quality control measures that are in effect for our precast concrete junction boxes and raw materials.

Quality control on our products

As a manufacturer of precast concrete junction boxes, our Group places strong emphasis on the quality control of our product to ensure that our products are manufactured according to the required specifications and up to our customers' required standards.

Our products are randomly checked and tested by the following methods:

(i) Measuring tapes are used to verify the dimensions of the moulds and products. Since the tolerance of the product dimensions are in the range of +/-5%;

(ii) Loading tests are carried out on different types of products randomly on a monthly basis and the results are recorded in our loading test report. Loading test certificates will be issued and sent together with delivery order to our customers. The picture below shows the loading test of our products:

Loading test

(iii) A rebound hammer is also used to determine the hardness of the concrete on a random basis.

Certain equipment requires regular testing and calibration. Set out below is the equipment that has to be calibrated yearly:

Equipment	Functions
Vernier caliper	To measure the dimensions of small raw materials
Pressure gauge	To conduct loading test of our products
Rebound hammer	To test the strength of concrete

Monitoring customer satisfaction

Our Group also works closely with customers and the approving authority to determine the customer's perception on whether our Group has met the customers' requirements and specifications. A customer satisfaction survey will be carried out randomly on a yearly basis.

Quality control on raw materials

Our raw materials are subject to testing on a random basis. Test reports will be generated for our evaluation. Set out below are the tests conducted with respect to some of our major raw materials:

Raw materials	Testing
Steel bar	• Vernier caliper is used to check the steel bar diameter and a steel bar check report will be issued. Each batch of delivery from suppliers will be checked and recorded; • Tensile strength test of every batch of steel bar will be carried out by our suppliers in accordance with ISO 6892-1:2009.
Ready-mix concrete	• Concrete cube test will be done by our suppliers and us in accordance with BS EN 12390-3:2009.

The quality of the ready-mix concrete would affect the quality of our precast concrete junction boxes, we therefore have stringent requirements on its qualities. Depending on the types of products, we require that the ready-mix concrete complies with our specifications in terms of strength, workability, slump, water proofing and/or setting times. We purchase ready-mix concrete from external suppliers who mix and provide ready-mix concrete to us according to our instruction and specifications.

ISO certification

Our Group has established and maintained a documented quality management system designed and implemented to fulfil ISO 9001:2008 requirements in relation to the manufacture of pre-cast concrete junction boxes and accessories. Our Directors believe that this system creates a framework that clearly defines the control of materials, processes, and verification activities, thus providing our customers with confidence that the operational aspects of our Group are performed in a well-defined and controlled environment.

Further, our Directors believe that our Group's ability to (i) consistently provide products that meet customers' specifications and applicable regulatory requirements; and (ii) enhance customer satisfaction through the effective application of the system, enables us to retain existing customers as well as to attract new customers.

Domestic quality standard

As for domestic quality standards, we regularly send some of our products to SIRIM, a Malaysian based industrial research and technology organisation which plays a role in the local industry and international standards development for quality assurance, to conduct a loading test on our heavy duty type products. The test results will include the amount of tonne-force that our heavy duty type products can sustain. Generally, most of our heavy duty type products are able to sustain a minimum of 22.5 tonne-force.

OCCUPATIONAL HEALTH AND SAFETY

Pursuant to OSHA 1994, an employer has a duty to ensure, so far as practicable, the safety, health and welfare of its employees at work. It is the duty of an employer to provide its employees with the relevant training, knowledge, information and supervision in order to maintain a safe working environment without causing any risks to their health, safety and welfare. Furthermore, every employer shall establish a safety and health committee at the place of work if there are 40 or more persons employed at the place of work. Accordingly, our Group has established a committee to review our safety and health measures and investigate any safety and health matters at the place of work of our employees. The committee consists of the employee representatives.

Our safety plan includes the following areas:

Safety training	To minimise job hazard, our Group organises an induction programme on safety and health to new employees including our production workers. Each employee will be given training before using any equipment and machinery. Owing to the induction programme, the risk or probability of occurrence of accidents can be mitigated. Our Group also provides ongoing safety trainings to our employees.
Safety and health inspection	We provide regular body checks to our foreign production workers in accordance with the Workmen's Compensation Act 1952. Ms. Siew Poi Voon, our factory manager, together with Mr. Ma Hong Chee, our operations manager, are responsible for overseeing our production activities at our Existing Selangor Plant, to ensure that our safety and health measures are duly implemented.

Job hazard analysis	We identify and assess the hazards and inherent risks to the safety and health of our production workers on an ongoing basis. The aim of job hazard analysis is to identify the hazard severity, likelihood of harm and the degree of risk involved for all critical work activities for implementing adequate risk control. Potential hazards and consequences of each workplace are set out in our occupational health and safety management policy where we will provide preventive measures to our employees to follow.
Personal protection equipment	Our Group provides protection equipment as a means of preventing the risk of accidents based on the OSHA 1994. We require our workers to wear personal protection equipment provided by us in a mandatory basis. This equipment includes but not limited to hand gloves, face shields, safety shoes and safety goggles.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not received any significant claims for damages or compensation in relation to any material industrial accident of our employees, and we did not experience any material disputes with our employees that had a material adverse effect on our operation.

ENVIRONMENTAL COMPLIANCE

Our production process generates noise, waste water and other industrial wastes. Precast concrete junction box manufacturers operating production plants in Malaysia are subject to a number of environmental laws and regulations. For further details, please refer to "Regulatory Overview – Environment protection" in this prospectus.

We have devised a series of procedures in relation to handling scrap metals, waste materials and debris in order to ensure that our operation will not cause any material damage to the environment. We have established and implemented various internal control rules and guidelines regarding environmental compliance and pollution controls, such as the guidelines on control and management of waste water and the guidelines on the management of the operation of pollution control system.

During the Track Record Period, the aggregate annual costs incurred by our Group for complying with the applicable environmental laws and regulations in Malaysia were approximately RM14,000, RM23,000 and RM20,000 for FY2015, FY2016 and the nine months ended 28 February 2017, respectively, and was mainly attributable to the disposal of industrial waste. Our Directors confirmed that our Group has complied in all material respects with the relevant environmental laws, regulations and administrative rules during the Track Record Period. As confirmed by our Directors, our Group has not been prosecuted by any Malaysian governmental authority for breaching any applicable environmental laws and regulations in Malaysia relating to environmental protection during the Track Record Period.

INSURANCE

During the Track Record Period, we maintained insurance policies set out in the following paragraphs.

Employees' compensation

Pursuant to the Workmen's Compensation Act 1952 of Malaysia, all employers shall insure and keep himself insured with an insurer within the meaning of the Insurance Act 1996 in respect of every liability which he may incur to any workman employed by him. Further, under the Workmen's Compensation Act 1952, it is mandatory for every employer to insure all foreign workers employed by him under an approved insurance scheme in respect of any liability that he may incur. In this connection, we have taken out insurance policies in accordance with such requirements.

Other insurance coverage

We currently maintain a burglary insurance policy for our office and production facilities, which cover all office equipment, furniture, fixtures, fittings, servers and other goods related to our Group's business. Furthermore, we maintain public liability insurance which covers any bodily injury caused to a third party at our production facilities.

In particular, we have maintained insurance coverage against, among other matters, (i) the loss, destruction or damage to our owned machineries and equipment (in addition to the insurance policy under hire purchase agreements with financial institutions); and (ii) loss or damage to our lorry cranes, mobile cranes and lorry.

Certain types of risks, such as the risks in relation to the collectability of our trade and retention money 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.

During the Track Record Period, our total insurance premiums amounted to approximately RM54,000, RM81,000 and RM53,000, respectively. Our Directors consider that our insurance coverage is adequate and consistent with the industry norm regarding our current scope of operations. During the Track Record and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

MARKET AND COMPETITION

According to the Ipsos Report, the market of the precast concrete junction box industry is competitive, consolidated, and served by two main types of players, namely general precast concrete players who also manufacture precast utilities structures, such as pipes, tanks, junction boxes and vaults and specialised precast concrete utilities structure manufacturers, like our Group, who specialise in various kinds of precast concrete junction boxes. Players typically establish their market position through their product and service offering, and are largely defined by their proximity or ability to deliver products to major utilities and utility related construction projects. There are few players specialising in manufacturing precast concrete telecommunication and electrical junction boxes, with the majority of players covering a range of precast concrete utility structure products. However, specialised players represent a significant portion of the market size in the industry, with approximately 72% of the revenue value attributed to these players. According to the Ipsos Report, our Group ranked first within the entire precast concrete junction box industry (i.e. the industry in relation to the manufacturing both precast concrete telecommunication junction box and precast concrete electrical junction box) with revenue of approximately RM33.3 million in FY2016, representing a market share of 28.3% of the total revenue of precast concrete junction box industry.

There are high barriers of entry in respect of the precast concrete telecommunication junction box and electrical junction box manufacturing industry due to the high capital costs and the high level of technical expertise required for setting up a production plant and the fact that existing players in the market have established business relationships with the suppliers and customers including infrastructure companies, construction companies, general contractors, mechanical or electrical contractors or sub-contractors and traders of telecommunication or electrical materials in Malaysia, whereby it is difficult for the new players to obtain business opportunities from the contractors.

For further details, please refer to the section headed "Industry Overview – Competitive landscape" of this prospectus.

SEASONALITY

Our Directors believe that the industry in which we operate does not exhibit any significant seasonality. As such, our business is not tied to any seasonal factors.

LICENCES, PERMITS AND APPROVAL

After seeking legal advice, our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained all necessary permits, licences and registrations required for its business activities.

As at the Latest Practicable Date, our Group had the following registrations and licences that are material to the business operations of our Group in Malaysia:

Registration/ Licences	**Granted by**	**Granted to**	**Date of current registration**	**Expiry date**
Business licence *(Note 1)*	Subang Jaya Municipal Council	Target Precast	17 November 2016	31 December 2017
Business licence (Existing Selangor Plant)	Kajang Municipal Council	Target Precast	1 January 2017	31 December 2017
Business licence (New Kulaijaya Plant)	Kulai Municipal Council	Target Precast	1 January 2017	31 December 2017
Business licence *(Note 1)*	Subang Jaya Municipal Council	Target S&M	2 December 2015	31 December 2017
Business licence *(Note 1)*	Subang Jaya Municipal Council	Target C&L	25 August 2016	8 August 2017 *(Note 6)*

Registration/ Licences	Granted by	Granted to	Date of current registration	Expiry date
Certificate of Registration *(Note 2)*	Ministry of Finance	Target Precast	25 August 2015	24 August 2018
Temporary building permit (Existing Selangor Plant) *(Note 3)*	Kajang Municipal Council	Target Precast	5 December 2016	31 December 2018
Temporary building permit (New Kulaijaya Plant) *(Note 4)*	Kulai Municipal Council	Target Precast	27 September 2016	26 September 2017, subject to a further extension of one year
Manufacturing Licence (for Existing Selangor Plant) *(Note 5)*	Ministry of International Trade and Industry (MITI)	Target Precast	16 December 2015	N/A

Notes:

1. Business licence for our office at No. 18, Jalan LP2A/2, Tamen Lestari Perdana, 43300 Seri Kembangan, Selangor, Malaysia.

2. Pursuant to the Treasury's Direction (Arahan Perbendaharaan) and the Treasury Circular bill 2010, all individuals, firms, companies or entities who wish to have business dealing relationship with any of the government authority must be registered with the Ministry of Finance.

3. In FY2015, in light of our Group's growing business operations, an extension of the Existing Selangor Plant was contemplated by replacing the then containers which were used as office and storage area by a new non-permanent or temporary structure. In FY2016, application fee for new licenses and permits in an aggregate of approximately RM178,000 was incurred. Such expense was related to our application for a temporary building permit for its new non-permanent structure in the Existing Plant. The temporary building permit was issued to our Group on 1 April 2016 and was valid up to 1 January 2017. In December 2016, the first temporary building permit was renewed which superseded the first temporary building permit. Our Directors confirm that all structures at our Existing Selangor Plant are currently non-permanent by nature. Our Malaysian Legal Advisers advised that the materials we use for the setting up these non-permanent structures at our Existing Selangor Plant are consistent with the nature of a temporary building under the relevant laws and regulations in Malaysia and thus, a temporary building permit is issued to us. Hence, a temporary permit is issued and we are permitted to use these non-permanent structures for the limited period specified thereunder subject to renewal of the permit on a yearly basis. For the avoidance of doubt, temporary building permit was not required when our Group used containers for office and storage in our Existing Selangor Plant before it decided to build the new non-permanent or temporary structure therein.

4. Our Directors confirm that all structures at our New Kulaijaya Plant are non-permanent by nature. Our Malaysian Legal Advisers advised that the materials we use for these non-permanent structures at our New Kulaijaya Plant are consistent with the nature of a temporary building under the relevant laws and regulations in Malaysia and thus, a temporary building permit is issued to us. Hence, a temporary permit is issued and we are permitted to use these non-permanent structures for the limited period specified thereunder subject to renewal of the permit on a yearly basis.

5. Pursuant to the Industrial Co-ordination Act 1975, any person engaging in any manufacturing activity with a shareholders' fund of RM2.5 million and above or employing 75 or more full time paid employees is required to obtain manufacturing licence from the Ministry of International Trade and Industry of Malaysia ("**MITI**"). In this respect, the Malaysian Investment Authority ("**MIDA**"), an agency of MITI, granted an exemption to Target Precast in 2009, which had no expiry date. To cater for any future possible business expansion, we applied a manufacturing licence in 2015, which was granted on 16 December 2015. Having sought the advice from our Malaysian Legal Advisers, our Directors confirmed that the manufacturing licence had suspended the exemption granted to Target Precast in 2009. Further, according to our Malaysian Legal Advisers, there is no expiry date for the manufacturing licence. However, the authority may in its discretion revoke a manufacturing licence if the manufacturer (i) has not complied with any condition imposed in the licence; (ii) is no longer engaged in the manufacturing activity in respect of which the licence is issued; or (iii) has made a false statement in its application for the license. Our Malaysian Legal Advisers opined that there were and are no non-compliance in the part of Target Precast with the provision of the Industrial Co-ordination Act 1975 with regard to the manufacturing licence requirements.

6. As at the Latest Practicable Date, our Group has renewed the business licence with an effective period from 9 August 2017 to 8 August 2018.

In order to be eligible to supply precast concrete junction boxes and other accessories to telecommunication and electric utility companies, we are required to obtain approval and registration from these companies. The table below sets out the registrations with respect to the supply of precast concrete junction boxes to telecommunication companies and electric utility companies granted to our Group:

Registration/ Licences	**Granted by**	**Granted to**	**Date of current registration**	**Expiry date**
Certificate of registration	Celcom	Target Precast	29 September 2014	29 September 2017
Certificate of registration	Telekom/ST OSP 105/13	Target Precast	24 September 2016	23 September 2018 *(Note)*
Certificate of registration	TNB	Target Precast	4 September 2015	24 August 2018

Note: Instead of a general supplier of products to Telekom, in the renewed certificate of registration, we are expressly authorised to supply precast concrete junction boxes to the projects involving Telekom.

Since August 2010, we became an approved supplier of Maxis for the provision of precast concrete telecommunication junction boxes.

In order to obtain registrations with notable telecommunication companies in Malaysia such as Telekom and the only electric utility company in Malaysia, i.e. TNB, an application has to be made to the relevant companies according to their own registration procedures and requirements. For example, the registration guide of Telekom stipulates the requirements of minimum paid-up capital of an applicant and the licences required, while TNB also imposes certain financial requirements on the applicant and requires the applicant to hold relevant valid certificates. To the best knowledge and belief of our Directors after making all reasonable enquires, these notable telecommunication companies and TNB would also consider the product quality, track record and experience of the applicants.

Our Group successfully renewed its aforementioned registration/licences since its first registration as set out in the table above. Renewal of the certain aforementioned registrations/permits is required in accordance with the corresponding timeframe. As we had not experienced any complaint or regulatory action brought by the grantor of the registrations/permits against us during the Track Record Period and up to the Latest Practicable Date, our Directors believe that we should not encounter any difficulties in renewing any registrations in the future.

Our Directors, upon obtaining legal advice, confirm that during the Track Record Period and up to the Latest Practicable Date, our Group obtained and held all the approvals, permits, consents, licences and registrations required for our business and operations in Malaysia, and that all of them remain in force.

LEGAL AND COMPLIANCE

As all our operations take place in Malaysia, we shall comply with the relevant laws and regulations in Malaysia. A summary of the relevant Malaysian laws and regulations applicable to our operations in Malaysia are set out in the section headed "Regulatory Overview" of this prospectus. As advised by our Malaysian Legal Advisers and confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, apart from a number of non-compliance incidents with certain Malaysian laws and regulations in relation to payment of tax, we complied with all applicable laws and regulations in Malaysia in all material respects.

Corporate Governance

Our Directors are of the view that the non-compliance incidents that happened during the Track Record Period were mainly due to the inadequacy of our corporate governance control measures. In response, our Group has adopted the following measures to prevent the future occurrence of such non-compliance incidents and improve our corporate governance to ensure compliance with the relevant Malaysian laws and regulations in relation to payment of tax:

(i) Our executive Directors, with the assistance of our Company's accounts department, will review the books and accounts of each of the Malaysian subsidiaries on a monthly basis against the estimate of tax payable by the relevant Malaysian subsidiary in order to ensure that the estimate for taxation purpose which has been filed or is to be filed is accurate. If any discrepancy is found, the discrepancy shall be dealt with by the relevant Malaysian subsidiary(ies) when it/they file the adjustments with the IRB within the prescribed time, i.e. six months and nine months after the commencement of the year of assessment.

(ii) To engage a qualified external tax adviser with profound experience and track record in handling matters including computation of the tax estimate and reviewing the tax payable by our Group on a regular basis, engaging in liaison with the IRB on behalf of our Group, if necessary, and advising our Directors and the Board of Directors on the tax matters of its Malaysian subsidiaries.

(iii) Further reviewing the estimate tax payable by the relevant Malaysian subsidiary for any year of assessment prior to the deadline for submission of the estimate by our Company's accounts department together with the external tax adviser. The review must be approved by our executive Directors in writing before submission to the IRB.

(iv) In the event that the actual tax payable exceeds or is below the estimate tax payable, our Company shall submit the relevant form to revise its estimate tax payable in the sixth and/or ninth month of the year of assessment on a timely basis.

(v) For the purpose of ensuring future compliance with making requisite filings to the IRB and paying the relevant tax within the prescribed period, our Group will engage external tax advisers and legal advisers as to Malaysian laws to advise on the said statutory filing requirements as well as on the other laws and regulations in Malaysia which are applicable to the business and operation of our Group.

MAJOR CERTIFICATIONS

In recognition of our efforts, outstanding performance and quality of work, our Group has received the following certificates from professional accreditation organisations:

Nature	Certification	Scope	Holder	Year of first grant	Awarding organisation or authority	Expiry date
Product testing certification with respect to precast concrete junction boxes	SIRIM test report	– Precast reinforced concrete small box culverts	Target Precast	2005	SIRIM	N/A
Quality System Registration	ISO 9001: 2008	– Provision of product that meets customer and applicable regulatory requirements, and – To enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable regulatory requirements	Target Precast	2007	Lloyd's Register of Shipping (M) Bhd. for and on behalf of Lloyd's Register Quality Assurance Limited	14 September 2018

RECOGNITIONS AND AWARDS

The following table sets out our major non-recurring recognitions and awards obtained by us during the Track Record Period and up to the Latest Practicable Date:

Year of award	Nature	Recognitions and Awards	Recipient	Awarding organisation or authority
2014	Recognition of our excellence in all key business management disciplines	Sin Chew Product and Service Quality Excellence Award	Target Precast	Sin Chew Daily
2015	Recognition of our outstanding historical financial performance	Nanyang Golden Eagle Award	Target Precast	Nanyang Siang Pao
2015	Recognition of our high quality Malaysian made products	SME Product Excellence Award	Target Precast	SME Association of Malaysia
2015	Recognition of our excellence service	Service of the nation	Target Precast	SME Corp Malaysia

EMPLOYEES

As at the Latest Practicable Date, we had 65 employees who are located in Malaysia. A breakdown of our employees by functions is set forth below:

Number of employees

	As at the Latest Practicable Date
Management	12
Administration (factory and office)	6
Accounting and finance	7
Production and inventory	28
Quality control	2
Sales and marketing	7
Driver and operator	2
Engineer	1
Total	65

We believe our success depends heavily on our employees' commitment and ability to manufacture consistent and quality precast concrete junction boxes.

Relationship with staff

Our Directors consider that we have maintained good relationships with our employees. We have not experienced any significant problems with our employees or any disruptions to our operations due to labour disputes nor have we experienced any difficulties in the recruitment or retention of experienced staff or skilled personnel during the Track Record Period and up to the Latest Practicable Date.

Training and recruitment policies

We generally recruit our employees from the open market by placing recruitment advertisements.

We believe that the quality of our employees, existing or future, is of essence to our business and operation and hence, a crucial asset of our Group. Therefore, we place great emphasis on staff retention by cultivating a safe, healthy and conducive working environment within our organisation. Further, we place great emphasis on providing a pleasant working environment for our employees; and identifying employee performance improvement opportunities for career advancement.

Moreover, we are committed to encouraging our staff to enhance their skills and knowledge by offering reimbursements to our employees after they have received relevant training and attended development programs in relation to their respective work positions and skills. Training programmes covering occupational health and safety will be conducted either through internal training or by external parties, such as the National Institute of Occupational Safety and Health. Furthermore, we also provide ongoing training and development programmes which cover technical and functional courses to our employees. For instance, with the implementation of GST Act 2014 in Malaysia, we have to provide the relevant training to our accounting and finance staff to ensure their compliance with the regulations and to improve the accuracy of the GST accounting transactions.

Remuneration policy

We entered into individual labour contracts with each of our employees in accordance with the applicable labour laws of Malaysia, which cover matters such as wages, employee benefits and grounds for termination. The remuneration package our Group offers to our employees includes salary, bonuses, allowances and medical benefits. In general, we determine an employee's salary based on each employee's qualifications, experience and capability and the prevailing market remuneration rate. Our Group has designed a review system to assess the performance of our employees twice a year, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions.

Our employee remuneration expenses and Directors' emolument (including salaries, other benefits and retirement benefit costs) amounted to approximately RM2.4 million, RM2.8 million and RM2.9 million for FY2015, FY2016 and the nine months ended 28 February 2017, respectively.

After seeking legal advice from our Malaysian Legal Advisers, our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we have complied with all employee benefits fund obligations applicable to us under Malaysian laws and regulations in all material aspects.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group was not involved in any significant incidents or accidents in relation to workers' health and work safety or litigation proceedings or any non-compliance with the applicable laws and regulations relevant to worker's health and work safety where our Group operates.

INTERNAL CONTROL

To assess and identify weakness in our internal procedures, systems and controls, we engaged an independent Internal Control Consultant in September 2016 to review the adequacy and effectiveness of our internal control procedures, systems and controls. Through an initial review conducted in September 2016, our Internal Control Consultant identified some weaknesses and deficiencies in our internal control system and recommended certain measures to be implemented. Following this review, we have taken some remedial measures to improve our internal control system.

The Internal Control Consultant identified the following key findings and our Group has taken the following remedial actions based upon the recommendations from the Internal Control Consultant:

Key findings	Remedial actions taken
Declaration of conflict of interest	
Our Group did not have a formal and written mechanism in place to govern staff's declaration on potential conflict of interests.	Our Group has established an internal control manual which includes the code of conduct and conflict of interest checks so as to enhance our corporate governance.
Succession plan	
Our Group did not have a formalised succession plan for key management functions, such as executive Directors and other members of our senior management, to make sure our objectives can still be achieved, even in the absence of the individual filling the role. In addition, we did not have a formalised mechanism in place to ascertain that the management continually identifies and assess those key management functions that are deemed essential to achieve our objectives.	Succession plan has been established and approved by our executive Directors and endorsed by our chief financial officer and executive Directors which indicates different successors for different positions when there is turnover of our key staff members.

Key findings	Remedial actions taken
Policies and procedures Our Group did not have written policies and procedures to govern the following processes, namely (i) financial reporting and disclosure controls; (ii) revenue management; (iii) expenditure management; (iv) inventory management; (v) cash and treasury management; (vi) human resource and payroll management; (vii) general computer controls; (viii) taxes; and (ix) environmental protection.	Our executive Directors have reviewed and approved our internal control manual and environmental policy. Periodic review of the policies and procedures will be performed to ensure that the written policies and procedures match with our current practice.
Whistle blowing policy In some circumstances, such as suspected violations of the code of conducts, our Group did not establish separate lines of communication to encourage employees to report these violations without fear of reprisal.	Our Group has established a whistle blowing policy which specifies the reporting and investigating procedure of any suspected misconduct, malpractice and irregularity incidents.
Internal audit functions Our Group did not establish a mechanism to evaluate and monitor our risk management system and internal control system.	An internal audit charter has been established which specifies the scope of work, authority and responsibility of internal audit functions, which have been outsourced to an independent professional party to evaluate and assess our internal control mechanism periodically.

Internal control measures to improve corporate governance

In order to continuously improve our Group's corporate governance in the future, our Group has adopted or will adopt the following measures recommended by the Internal Control Consultant:

1. On 9 December 2016, our Directors attended training sessions conducted by our Company's legal adviser as to Hong Kong laws on the ongoing obligations and duties of a director of a company whose shares are listed on the Stock Exchange.

2. On 9 December 2016, our Directors attended a training session conducted by our legal advisers as to compliance of tax laws and regulations in Malaysia.

3. We have appointed RHB Capital Hong Kong Limited as our compliance advisor upon Listing to advise us on regulatory compliance with the GEM Listing Rules.

4. When necessary, we will engage external professionals, including auditors, internal control consultants, external legal adviser(s) and other advisers to render professional advice with respect to our compliance with statutory and regulatory requirements, as applicable to our Group from time to time. Our Group intends to engage Deloitte PLT (LLP0010145-LCA) (AF 0080) ("**Deloitte PLT**") as our Group's auditor after Listing. Deloitte (AF 0080) in Malaysia has been converted to Deloitte PLT, a limited liability partnership under the Limited Liability Partnerships Act 2012 on 3 January 2017 which is regulated by the Audit Oversight Board of Securities Commission of Malaysia. The Securities Commission of Malaysia is a signatory of a member of the International Organisation of Securities Commissions ("**IOSCO**") and has signed the Multilateral Memorandum of Understanding Concerning Consultation and the Exchange of Information with other IOSCO members (including the SFC). The Sole Sponsor, to its best knowledge, information and belief, is of the view that Deloitte PLT is a firm of accountants acceptable to the Stock Exchange in accordance with the requirements of Rule 24.13 of GEM Listing Rule on the grounds that:

   (a) Deloitte PLT is affiliated to a member firm of Deloitte Touche Tohmatsu Limited network of firms;

   (b) Deloitte PLT is a firm registered with the Malaysia Institute of Accountants ("**MIA**"), the legal accounting profession organisation in Malaysia. MIA is the legal accounting profession organisation in Malaysia and a member of the International Federation of Accountants ("**IFAC**"), a global organisation for the accountancy profession;

   (c) Deloitte PLT is registered with and is subject to the oversight of the Audit Oversight Board ("**AOB**") of Malaysia, a member of the International Forum of Independent Audit Regulators ("**IFIAR**"). AOB is established under Part IIIA of the Securities Commission Act Malaysia 1993 ("**SCMA**") which came into force on 1 April 2010 to promote and develop an effective audit oversight framework and to promote confidence in the quality and reliability of audited financial statements in Malaysia. AOB is a statutory regulator in Malaysia with the power to investigate statutory auditors and audit firms in Malaysia and to impose sanctions on those which have breached the legal or regulatory requirements or professional conduct. The Securities Commission of Malaysia is a member of the International Organisation of Securities Commissions (IOSCO) and has signed the Multilateral Memorandum of Understanding Concerning Consultation and the Exchange of Information (MMOU) with other IOSCO members (including the SFC) to facilitate mutual cooperation and exchange of information for securities regulatory enforcement purposes; and

   (d) Deloitte PLT is independent of the SK Target Group Limited and its subsidiaries in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.

5. Our Group has appointed Ms. Chau Wing Kei, as the company secretary, to handle the secretarial matters and day-to-day compliance matters of our Group. She is also responsible for the timing and procedures for convening annual general meetings, including the time for sending notice of meeting and laying the respective financial statements.

6. On 27 June 2017, we established the Audit Committee which will implement formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts. It will also periodically review our compliance status with the Hong Kong laws after Listing. The Audit Committee will exercise its oversight by:

   (i) reviewing our internal control and legal compliance;

   (ii) discussing the internal control systems with the management of our Group to ensure that the management has performed its duty to have an effective internal control system; and

   (iii) considering the major investigation findings on internal control matters as delegated by the Board or on its own initiative and the management's response to these findings.

7. Our Group will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisors with respect to matters related to our internal controls and compliance when necessary and appropriate.

Liquidity risk management

Prudent liquidity risk management requires maintaining sufficient cash and cash equivalents and available funding. Our management believes that liquidity risk has been mitigated as we generated operating cash inflow (before movements in working capital) of approximately RM5.5 million, RM7.1 million and RM1.2 million for FY2015, FY2016 and the nine months ended 28 February 2017, respectively. Our management expects that we will continue to generate operating cash inflow in the upcoming years.

In carrying out the business of manufacturing and selling precast concrete junction boxes, we face liquidity risk including the possibility that we become unable to maintain sufficient reserves of cash to meet our liquidity requirements and that we are unable to meet our financial obligation as they fall due.

A minimum operating liquidity level is established to maintain a comfortable cushion in order to meet cash needs. A target maximum for operating liquidity is also established to reflect the fact that too much liquidity has a negative effect on earnings. Accordingly, a target range for operating liquidity which is 20% to 25% of the working capital (current assets minus current liabilities) is also established.

Our Group's liquidity need is reviewed on a periodic basis of at least twice a month. The review encompasses a detailed forecast of imminent liquidity requirements and a projection of cash needs for the next three month period.

Our two executive Directors and chief financial officer continuously monitor our current and expected liquidity requirements as well as our cash and receivables in order to ensure that sufficient liquidity is maintained to meet our liquidity requirements. In the management of liquidity risk, our two executive Directors and chief financial officer monitor and maintain a level of cash and cash equivalents deemed adequate by them to finance our operations and mitigate the effects of fluctuations in cash flows. For the experience of our two executive Directors and chief financial officer, please refer to the section headed "Directors, Senior Management and Employees" of this prospectus.

Measures for accounts receivables collection

Our Group has put efforts through strict enforcement of having regular communication with customers in relation to the outstanding accounts receivables in order to ensure settlement in accordance with the granted credit periods. Efforts have also been put on issuing the reminders and legal letters of demands to each debtor based on the deadlines stipulated in the credit control procedure.

In order to improve the accounts receivable collection, regular ageing report is prepared to monitor the accounts receivable collection and monthly target of accounts receivable collection has been set for responsible staff, which is a key performance indicator that would affect the performance and salary increment of the responsible staff.

View of our Directors

Based on the Internal Control Consultant's review and recommendations, our Group has duly adopted the measures and policies in order to improve our internal control systems and to ensure our compliance with the GEM Listing Rules and relevant Hong Kong laws. Furthermore, after the Internal Control Consultant had performed their follow-up review from October 2016 to December 2016, they did not identify any further issues and made no further recommendations in the respective areas covered in their reviews. Based on the results of the internal control reviews, our Directors are of the view that adequate and effective internal control procedure and policies have been put in place by our Group.

RISK MANAGEMENT

Our management has designed and implemented a risk management policy to address various potential risks identified in relation to the operation of our businesses, including strategic, operational, financial and legal risks. Our risk management policy sets forth procedures to identify, analyse, categorise, mitigate and monitor various risks.

Our Board is responsible for overseeing the overall risk management system and assessing and updating our risk management policy on a quarterly basis. Our risk management policy also sets forth the reporting hierarchy of risks identified in our operations.

Our Group is mainly exposed to the risks related to timely delivery of raw materials and price fluctuation of raw materials, specially the ready-mix concrete and steel bars.

We have set up the following measures to mitigate the risks relating to price fluctuation of raw materials for our Group's business:

(i) our production team would monitor the movement of raw materials as well as the projected production plan regularly, and estimate the production schedule in the next seven working days; and

(ii) our management team would assess if there is any material and adverse impact on our financial performance due to the price fluctuation of raw materials and will consider the factors such as the movement of raw materials, the then prevailing prices of raw materials and market condition.

In respect of the credit risk on our accounts receivables, we have implemented the following measures to manage the risks:

(i) our accounts department would closely monitor the ageing and settlement of the accounts receivable;

(ii) we regularly assess the credit rating of our customers and where necessary make amendments to their credit period in accordance with our assessment to minimise the risk of customer default;

(iii) settlement is monitored by our accounts department. For overdue balances, our management team and sales and marketing team will be alerted to take appropriate follow-up action; and

(iv) our executive Directors would review the recoverable amount of each individual trade debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

For details regarding the risks involved in our operations, please refer to the section headed "Risk Factors" of this prospectus.

RESEARCH AND DEVELOPMENT

During the Track Record Period, our Group did not engaged in any research and development activities nor did it incur any research and development expenses.

INTELLECTUAL PROPERTY

Trademark

As at the Latest Practicable Date, our Group is the registered owner of the following trademark in Malaysia, which we believe is material to our business:

Mark	Registered owner	Date of registration	Expiry date	Places of registration	Trademark number	Class *(Note)*
Target	Target Precast	23 August 2013	23 August 2023	Malaysia	2013011803	19

Note: Class 19 – Building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal.

As at the Latest Practicable Date, our Group has applied for registration of the following trademarks in Malaysia, which we believe are material to our business:

	Trademark	Applicant	Application number	Class *(Note)*	Status
1.	Target	Target Precast	2016071070	9	Application received
2.	Target	Target Precast	2016071071	37	Application received

Notes:

Class 9 – Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus.

Class 37 – Building construction; repair; installation services.

Domain name

As at the Latest Practicable Date, our Group is the owner of the following domain name which is considered by our Directors as material to the business of our Group:

Registered owner	Domain name	Registration date	Expiry date
Target Precast	http://www.targetprecast.com	20 November 2008	20 November 2017

Save as the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registrations) that are significant to our business operations or financial positions. As at the Latest Practicable Date, we had not engaged in, and were not aware of, any litigation or legal proceedings for the violation of intellectual property rights or any material violation.

PROPERTIES

Owned properties

The following table summarises the information regarding our owned properties in Malaysia as at the Latest Practicable Date:

No.	Location	Land area/ Built-up area (approximately)	Usage
1	No. 18, Jalan LP 2A/2, Taman Lestari Perdana, 43300 Seri Kembangan, Selangor, Malaysia	130.1 m^2	General office
2	No. 5, Jalan BS 13/1A, Taman Bukit Serdang, 43300 Seri Kembangan, Selangor, Malaysia	130.0 m^2	Residential property rented to a third party

As at the Latest Practicable Date, our Group had no single property with a carrying amount of 15% or more of our Group's total assets, and on this basis, our Group is not required by Rule 8.01A of the GEM Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our Group's interests in land or buildings.

Leased properties

The following table summarises the information regarding our leased properties in Malaysia as at the Latest Practicable Date:

No.	Location	Land area/ Built-up area (approximately)	Term	Lessor	Key terms of the tenancy	Usage
1	Lot 1894, Jalan KPB 5, Bukit Belimbing, Kawasan Perindustrian Balakong, 43300 Seri Kembangan, Selangor, Malaysia	8,093.7 m^2	From 1 February 2017 to 31 January 2019, with an option to renew for a further two years at a rent to be mutually agreed	An Independent Third Party	Monthly rental of RM30,000 *(RM360,000 per annum)*	Production plant and workers' accommodation
2	Plot A of land held under GM865, Lot 2945 in the Mukim Senai, District Kulaijaya, State of Johor, Malaysia	8,100 m^2	From 1 December 2015 to 30 November 2018 with an option to renew for another three years	An Independent Third Party	Monthly rental of RM10,000 *(RM120,000 per annum)*	For setting up our new production plant

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

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account Shares which may be issued upon the exercise of option granted under the Share Option Scheme), Merchant World, which is wholly-owned by Mr. Loh, will be interested in approximately 51.13% of the issued share capital of our Company. Accordingly, Merchant World and Mr. Loh will be our Controlling Shareholders.

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

RULE 11.04 OF THE GEM LISTING RULES

Apart from the business of our Group, each of the Controlling Shareholders, the substantial Shareholders, our Directors and their respective close associates do not have any business or interest that competes or is likely to compete, directly or indirectly, with our business, which would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Listing after taking into consideration of the following factors:

Management independence

The day-to-day management and operations of our Group will be the responsibility of all our executive Directors and senior management of our Company. The Board consists of five Directors, comprised of two executive Directors and three independent non-executive Directors. Although Mr. Loh, being the ultimate Controlling Shareholder, also holds directorship in our Company, we consider that our Board and senior management will function independently from our Controlling Shareholder because:

(a) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interests; and

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions, and shall not be counted in forming quorum.

Operational independence

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources and general administration resources with the Controlling Shareholders and/or their respective close associates. Our Group has also established a set of internal controls to facilitate the effective operation of our business.

Financial independence

Our Group has our own financial management and accounting systems and functions and makes financial decisions according to our own business needs. Our Group has the ability to operate independently from the Controlling Shareholders from a financial perspective.

In addition, our Group has independent access to third party financing and our Group does not rely on our Controlling Shareholders and their close associates by virtue of their provision of financial assistance.

Having considered the above factors, our Directors consider that our Group is able to maintain financial independence from the Controlling Shareholders and their respective close associates after Listing.

NON-COMPETITION UNDERTAKINGS

The Controlling Shareholders as covenantors (each of them, a "**Covenantor**" and collectively, the "**Covenantors**") executed the Deed of Non-competition in favour of our Company (for itself and as trustee for and on behalf of its subsidiaries).

In accordance with the Deed of Non-competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on GEM; or (ii) the date on which that Covenantor and his/its close associates (individually or taken as a whole) cease to be a Controlling Shareholder:

1. Non-competition

Each Covenantor jointly and severally and irrevocably undertakes and covenants to our Company that each of them will not, and will procure that its/his close associates (except any member of our Group) will not, either on his/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, among other things, carry on, participate or be interested or engaged in or acquire or hold any right or interest (in each case whether as an investor, a shareholder, principal, partner, director, employee, consultant, agent or otherwise and whether for profit, reward, interest or otherwise), or otherwise be involved in any business which is or may be in competition, whether directly or indirectly, with the business carried on (including but not limited to (i) the design, manufacturing and sales of precast concrete junction boxes; (ii) trading of precast concrete junction box accessory items;

and (iii) the rental of cranes and providing other related logistics services) or contemplated to be carried on by any member of our Group in anywhere or place where our Group has conducted business as at the date of the Deed of Non-competition or may conduct business from time to time in the future (the "**Restricted Business**").

2. New business opportunity

Each of the Covenantors hereby represents and warrants that neither it/he nor any of its/his close associates currently carries out, participates in or is interested or engaging in, invests in, acquires or holds, directly or indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward, interest or otherwise) or otherwise is involved in the Restricted Business other than through our Group.

Each of the Covenantors further undertakes to refer to our Company within 10 days any and all new opportunities in connection with the Restricted Business (the "**New Business Opportunity**") which are identified by or made available to any of them.

Notwithstanding the aforesaid, the Deed of Non-competition does not apply where:

1. any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business has first been offered or made available to our Group, and that the offer should contain all information reasonably necessary for our Group to consider whether (i) such opportunity would constitute competition with any Restricted Business; and (ii) it is in the interest of our Group and the shareholders of our Company as a whole to pursue such opportunity, and our Company has, after review by the independent non-executive Directors, declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with the Covenantor and/or its/his close associate(s), provided that the principal terms by which that Covenantor (or its/his close associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company. A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the "**Non-acceptance Notice**"); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company;

2. each Covenantor having interests in the shares or other securities in a company whose shares are listed on a recognised stock exchange provided that:

   (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of the relevant company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

   (b) the total number of the shares held by the Covenantors and/or their respective close associates or in which they are together interested does not exceed 5% of the issued shares of that class of the company in question (the "**Relevant Company**"), provided that (i) the total number of the relevant Covenantors' representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his shareholdings in the Relevant Company; and (ii) at all times there is a holder of such shareholding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantors and their respective close associates together hold.

3. Corporate governance measures

In order to ensure the performance of the above non-competition undertakings, the Covenantors will:

(a) as required by our Company, provide all information which is necessary for our independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;

(b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual examination by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

(c) procure our Company to disclose to the public either in the annual report of our Company or issue a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;

(d) where our independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules; and

(e) that during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-competition.

The Deed of Non-competition and the rights and obligations thereunder are conditional upon (a) the Listing Division granting the listing of, and the permission to deal in, the Shares, as described in this prospectus, and (b) the Listing and dealings in the Shares on GEM taking place.

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of the Covenantors following the Listing.

The following table sets forth certain information regarding our Directors and senior management:

Name	Age	Present position(s) in our Company	Date of appointment as Director/ senior management	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Mr. Loh Swee Keong	49	Chairman of the Board, chief executive officer and executive Director	28 October 2016	19 March 1993	Formulate overall business strategy, approve annual budget proposals and make major business decisions of our Group, and serving as the Chairman of the Nomination Committee	N/A
Mr. Tan Cheng Siong	37	Executive Director	9 December 2016	10 November 2014	Responsible for the daily operations of the business of our Group, and serving as member of the Remuneration Committee	N/A
Independent non-executive Directors						
Mr. Yau Ka Hei (邱家禧)	33	Independent non-executive Director	27 June 2017	27 June 2017	Provide independent advice to the Board, advise on corporate governance matters, serving as a member of the Audit Committee, and Nomination Committee and Chairman of the Remuneration Committee	N/A
Mr. Chu Kin Ming (朱健明)	36	Independent non-executive Director	27 June 2017	27 June 2017	Provide independent advice to the Board, advise on corporate governance matters, serving as the Chairman of the Audit Committee and member of the Remuneration Committee	N/A

Name	Age	Present position(s) in our Company	Date of appointment as Director/ senior management	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management
Mr. Lee, Alexander Patrick (李明鴻)	36	Independent non-executive Director	27 June 2017	27 June 2017	Provide independent advice to the Board, advise on corporate governance matters, serving as a member of the Audit Committee and member of the Nomination Committee	N/A
Senior management						
Mr. Phang Xue Zun	32	Chief project officer	19 January 2016	7 November 2005	Responsible for sales and marketing matters of our Group	N/A
Ms. Chau Wing Kei (周詠淇)	30	Company secretary	9 December 2016	9 December 2016	Responsible for corporate secretarial practices and procedures of our Group	N/A
Mr. Albert Wong Mun Sum	54	Chief financial officer	1 December 2015	1 December 2015	Responsible for the daily operations and financial and accounting activities of our Group	N/A
Mr. Ma Hong Chee	49	Operations manager	15 January 2016	20 December 2010	Oversee the production activities of our Group's production plant	N/A
Ms. Siew Poi Voon	39	Factory manager	1 April 2015	11 March 2013	Oversee the manufacturing and operation functions of our Existing Selangor Plant	N/A

DIRECTORS

The Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors.

The functions and duties of the Board include but not limited to determining business plans and investment plans, preparing annual budget proposals and exercising other powers, functions and duties as conferred by the Articles of Association.

EXECUTIVE DIRECTORS

Mr. Loh Swee Keong, aged 49, is the founder of our Group. He was appointed to the Board on 28 October 2016. He is responsible for the overall business strategy, approving annual budget proposals, and major business decisions of our Group. Mr. Loh has over 20 years of work experience in the precast concrete junction box industry. Mr. Loh completed his secondary school from five level education in Tsung Wah National Type Secondary School, Kuala Kangsar, Perak, Malaysia in November 1985.

Before establishing our Group, Mr. Loh established a sole proprietorship under the name Jackon Trading in 1989, where he was primarily involved in the supply of ready-mix concrete to construction companies in Malaysia. In March 1993, Mr. Loh co-founded Target Precast, an indirect wholly-owned subsidiary of our Group which was at that time primarily involved in the supply of ready-mix concrete to construction companies, negotiating business with customers and responsible for the daily operations of our Group. In 1995, Mr. Loh, for the first time, manufactured the moulds using the then existing technology for precast concrete junction boxes and commenced the production the manufacturing of precast junction concrete boxes to customers.

Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code ("**CG Code**") in Appendix 15 to the GEM Listing Rules. Except for the deviation from CG Code provision A.2.1, our Company's corporate governance practices have complied with the CG Code.

CG Code provision A.2.1 stipulates that the roles of chairman of the Board and chief executive should be separate and should not be performed by the same individual. Mr. Loh is the chairman of the Board and the chief executive officer of our Group. In view of Mr. Loh has been operating and managing our Group since 1993, our Board believes that it is in the best interest of our Group to have Mr. Loh taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

Mr. Tan Cheng Siong, aged 37, is an executive Director of our Group. Mr. Tan was appointed to the Board on 9 December 2016. He is responsible for the daily operations of the business and reviewing the planning, and management of the business. He is also involved in the sales and marketing activities in negotiating business with customers. Mr. Tan joined our Group as business development executive in November 2014. Mr. Tan graduated with a Bachelor's degree of Commerce majoring in Accounting and Finance from Curtin University of Technology in Australia in February 2002.

In May 2002, Mr. Tan worked as an audit assistant with Y C Tan & Co, a public accounting firm in Singapore. He was later promoted to senior audit officer in May 2004. Mr. Tan later joined Kuek Brothers Furniture Sdn. Bhd. in 2005, a manufacturer distributors and exporters in home furnishing in Malaysia, as a marketing executive where he was responsible for handling the company's export markets. In 2006, Mr. Tan was subsequently promoted to a branch assistant manager in both the Muar and Kulai branches of Malaysia where he was responsible for handling the company's retail businesses. From September 2007 to February 2008, Mr. Tan worked as a sales and marketing manager in T & L Office Solution Sdn. Bhd., a supplier in all kind of office equipment. In 2008, Mr. Tan set up Billion Tree Asia, a consulting firm providing financial analytical coaching services to clients. Mr. Tan had been the director of Billion Tree Asia from 2008 to 2015. The company became inactive since 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Our Company has adopted the following criteria in the selection of independent non-executive Directors in order to maintain the diversity in Board demographics:–

- The particular qualification, skills and expertise, such as accounting, finance and legal knowledge, that the individual independent non-executive Directors possess which, in the opinion of our Directors, will enhance the Board's effectiveness and benefit the Company in its current business and going forward;

- Integrity and independence of the independent non-executive Directors and free of conflict of interests;

- Education level which can ensure that non-executive Directors can have a clear understanding of the duties of a director;

- Willingness and commitment to devote the required amount of time to carry out the duties and responsibilities of the Board, including the time to gain knowledge in the industry and to participate in the Board meetings; and

- Willingness to represent the best interests of all shareholders and objectively appraise the performance of the executive Directors and management performance.

The Directors take the view, and the Sponsor concurs with their view, that our independent non-executive Directors have the qualifications and expertise to fulfil their duties as independent non-executive Directors, and will collectively have sufficient experience and knowledge to ensure the proper functioning of our Group's corporate governance measures, in particular, reviewing the transactions with the Ready-mix Concrete Supplier, based on the following:–

- *Professional qualifications.* Mr. Yau and Mr. Chu are members of the Hong Kong Institute of Certified Public Accountants and Mr. Chu is also a member of the Association of Chartered Certified Accountants; and Mr. Lee has experience in asset management and investment. With their financial literacy, they are able to understand financial statements of our Group and point out any abnormalities or inadequacy, if any.

- *Skills and experience*. Mr. Yau has been working as an internal auditor for listed companies from 2012 to 2017, responsible for, among others, preparing internal control reports, performing due diligence on potential mergers and acquisition projects and validating audit findings and proposing recommendations and corrective approaches to the management. In particular, Mr. Yau has acquired audit experience of the internal control of an international technology company which engaged in sales and manufacture of computers and related IT products, and mobile devices. Mr. Chu has been working for various listed companies as financial controller or company secretary since 2008. Mr. Chu has also acquired experience in trading of cement during his employment of Prosperity International Holdings (H.K.) Limited (stock code: 803) which is a company engaged in the trading of clinker, cement and other building materials. Mr. Lee has experience in analysing and developing different investment opportunities. Hence, with the diversity of their skills and experience, their experience gained in other industries can be applied in the Company's industry for our Company's benefits.

- *Integrity, independence and free of conflict of interests*. Based on the Sponsor's due diligence including independent searches, the three independent non-executive Directors are not involved in any non-compliance or breach of laws or regulations whatsoever or the professional code of conduct in their respective professional disciplines which would give rise to any reasonable doubt of their character or integrity. Furthermore, based on the Sponsor's due diligence including the independent non-executive Directors' confirmation, they did not have any past dealings with the Company nor its connected person which would cast doubt on their independency.

- *Education level*. All of our three independent non-executive Directors possessed university degree and therefore should have the ability to understand the duties of a director under the relevant laws and regulations and the GEM Listing Rules.

- *Willingness and commitment to devote the required amount of time to carry out the duties*. The three independent non-executive Directors have expressed their willingness and commitment to devote the required amount of time to carry out the duties and responsibilities of the Board, including the time to gain knowledge in the industry and to participate in the Board meetings. The three independent non-executive Directors confirm that they have attended the required Directors' training.

- *Willingness to represent the best interests of all shareholders and objectively appraise the performance of the executive Directors and management performance*. Equipped with the qualification and experience, in particular, in the internal control experience of various listed companies and working with listed companies, the three non-executive Directors shall have the ability to assess and appraise the performance of our executive Directors and our senior management team.

Mr. Yau Ka Hei (邱家禧), aged 33, was appointed as our independent non-executive Director of the Company on 27 June 2017. Mr. Yau is the member of the Hong Kong Institute of Certified Public Accountants since October 2016. He obtained his Bachelor's degree of Business Administration in Business Economics from City University of Hong Kong in November 2007.

In September 2007, Mr. Yau was employed as associate of the assurance department of PricewaterhouseCoopers where he was responsible for evaluating internal control environments and system processes, and identifying opportunities for improving companies' internal controls, operation workflows and integrity of financial records. He then joined Bank of Communications in August 2010 as an officer of the company's finance department where he was responsible for, among others, preparing IFRS financial reports to head office in PRC and external auditors. From February 2011 to November 2011, he worked as a senior accountant at the assurance department of Ernst & Young. From June 2012 to August 2016, Mr. Yau worked as an internal auditor of Kaisun Energy Group Limited (a company listed on the Stock Exchange with stock code 8203) a company engaged in (i) mining and metallurgical machineries production; (ii) provision of supply chain management for mineral business; (iii) exploitation and production of coal; and (iv) securities investment where he was responsible for among others, (a) preparing internal control report of operational and financial processes and reporting to the audit committee of the company; and (b) performing due diligence providing advice of the operational and financial arrangements for the merger and acquisition projects.

From October 2016 to February 2017, Mr. Yau worked in Deckers Asia Pacific Limited, a wholly-owned subsidiary of Deckers Outdoor Corporation (a company listed on the New York Stock Exchange) as an internal auditor, where he was responsible for validating audit findings with operation and finance management. Mr. Yau is currently an assistant account manager of Magico Group Limited, an indirect wholly-owned subsidiary of China Properties Group Limited (a company listed on the Stock Exchange with stock code 1838), a company engaged in property development and property investment in the PRC, where he is responsible for overseeing accounting activities of the company.

Mr. Chu Kin Ming (朱健明), aged 36, was appointed as our independent non-executive Director on 27 June 2017. He will be responsible for supervising the management of our Group, participating in the direction of our Company's business and affairs, and ensuring the interests of all shareholders are adequately protected. Mr. Chu obtained his Bachelor of Arts degree in Accountancy in the Hong Kong Polytechnic University in November 2003. Mr. Chu has more than 13 years working experience in the accounting and company secretarial field.

In December 2003, Mr. Chu began his career in BDO McCabe Lo and Company as an audit trainee. In December 2005, Mr. Chu then joined Deloitte Touche Tohmatsu as senior accountant. From September 2008 to June 2009, Mr. Chu worked for Beijing Enterprises Medical and Health Industry Group Limited (formerly known as Genvon Group Limited and Wang Sing International Holdings Group Limited) (a company listed on the Stock Exchange with stock code 2389), a company principally engaged in the production and sales of products such as power tools and air tools at the material time, as financial controller where he was responsible for the financial and accounting activities of the group and assisting the chief financial officer in various corporate exercises and participating in various commercial transactions. From September 2008 to June 2009, he was further appointed as company secretary, where he was responsible for overseeing the compliance issues of listing rules. He then joined Prosperity International Holdings (H.K.) Limited (a company listed on the Stock Exchange with stock code 803) in June 2009, a company engaged in (i) mining and trading of iron ore and raw materials; (ii) real estate investment and development; (iii) trading of clinker, cement and other building materials; and (iv) mining and processing of granite and selling of granite products, as senior finance manager and subsequently promoted to financial controller where he was responsible for overseeing the financial and accounting activities of the group and assisting the chief financial officer in leading the completion of various restructuring and corporate exercises. He subsequently joined Ares Asia Limited (a company listed on the Stock Exchange with stock code 645) in June 2015, a company engaged in coal trading, as financial controller where he was responsible for overseeing the financial and accounting activities of the group. From November 2015 to February 2016, he was further appointed as company secretary, where he was responsible for overseeing the due compliance of listing rules. Mr. Chu is currently a financial controller and company secretary of KEE Holding Company Limited (a company listed on the Stock Exchange with stock code 2011), a company engaged in (i) design, manufacture; and (ii) sale of finished zippers, flat knit ribs and other garment accessories, and Ascent International Holdings Limited (formerly known as Chanco International Group Limited) (a company listed on the Stock Exchange with stock code 264), a company engaged in the manufacturing and distribution of leather products, both of which are subsidiaries of ZhongHong Holdings Limited (a company listed on Shenzhen Stock Exchange with stock code 979), a company engaged in real estate development where he has held that position since February 2016 and is responsible for overseeing the compliance issues of listing rules, financial and accounting activities of the company.

Mr. Chu has been a member of (i) the Association of Chartered Certified Accountants since December 2007; (ii) the Hong Kong Institute of Certified Public Accountants since July 2008; (iii) the Hong Kong Chartered Secretaries since April 2009; and (iv) the Institute of Chartered Secretaries and Administrators since April 2009.

Mr. Lee, Alexander Patrick (李明鴻), aged 36, was appointed as our independent non-executive Director on 27 June 2017. Mr. Lee obtained his Bachelor's degree in Arts from Emory University, United States in December 2007. He is currently an investment director of First Impression Limited, a consulting firm, where he is responsible for providing financial analysis, conducting market research, proposal and setting up internal investment system, and employing tactical trading strategy aimed to enhance risk management.

From May 2005 to April 2008, Mr. Lee was a director of Trulink Limited, an advisory firm, where he was responsible for conducting analysis on investment opportunities and providing general support to the company's overall strategic advisory work. He subsequently left the company and joined the private banking department of J.P. Morgan in April 2008 where he was responsible for identifying account strategies and client acquisition opportunities. From January 2010 to November 2010, Mr. Lee was employed by TrendsFormation Capital Limited as business development manager and by Solar Trends Technology Limited (a subsidiary of TrendsFormation Capital Limited) for the period from November 2010 until March 2011 as director and business development manager where he was responsible for developing business opportunities in the renewable energy sector for the company. For the period between April 2011 to May 2012, Mr. Lee worked for the group companies of Morgan Stanley, Hong Kong. Prior to his departure, he was working in the capacity of an analyst in the international wealth management division in Hong Kong where he was responsible for expanding PRC client base. Mr. Lee then worked in the capacity of vice president of the private banking department for Credit Suisse, Hong Kong from the period between August 2012 to January 2013. In February 2014, Mr. Lee joined BOCI-Prudential Asset Management Limited as vice president of the quantitative strategy business unit of the company.

Other disclosure pursuant to Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this prospectus. Immediately following completion of the Share Offer and the Capitalisation Issue, save as the interests in the Shares which are disclosed in the section headed "Substantial Shareholders" of this prospectus, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

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

SENIOR MANAGEMENT

Mr. Phang Xue Zun, aged 32, is the chief project officer of our Group. He is responsible for providing pre-sales support to our customers and handling technical supporting activities with our sales and marketing team. Mr. Phang obtained his Diploma in Construction Management from Imperia Institute of Technology, Malaysia in February 2006.

Mr. Phang joined our Group in November 2005 as a production supervisor where he was responsible for handling our production activities in our production plant. He was subsequently promoted as the sales engineer in May 2008 where he was primarily responsible for sales and marketing activities of our Group and managing projects for customers in Klang Valley and the eastern coast of West Malaysia. Mr. Phang was then promoted as the assistant sales manager in September 2014 and was further promoted to chief project officer in January 2016. In October 2013, Mr. Phang and other Independent Third Parties established Five Stars Laundry Sdn. Bhd., a company engaged in the the business of providing laundry, washing, cleaning and drying services. Mr. Phang is currently a director and shareholder of the company.

Ms. Chau Wing Kei (周詠淇), aged 30, joined our Group and was appointed as the company secretary of our Group on 9 December 2016. She was graduated from The University of Hong Kong with a Bachelor's degree in Science in November 2008. She has been a fellow member of Hong Kong Institute of Certified Public Accountants since March 2014.

She possesses over five years of experience in aspect of financial reporting, accounting, compliance, and auditing. From September 2010 to July 2014, Ms. Chau had worked as auditor of Deloitte Touche Tohmatsu and her work mainly involved audit and assurance services. In February 2015, Ms. Chau joined Illinois Tool Works Inc. and her last position was senior internal auditor and she was responsible for performing financial and operational reviews of the subsidiaries.

Mr. Albert Wong Mun Sum, aged 54, is the chief financial officer of our Group. He is responsible for the daily operations and the financial and accounting activities of our Group. Mr. Albert Wong obtained his Bachelor's degree of commerce from the University of New South Wales in April 1986 where he further obtained a Master's degree of commerce in accounting in April 1988. Mr. Albert Wong has been a member of the Malaysian Institute of Accountants since October 1993. He was admitted as a fellow of the Institute of Financial Accountants in the United Kingdom and the Institute of Public Accountants in November 2012 in Melbourne, Australia. He is also a registered GST agent in Malaysia since 2015. Mr. Albert Wong has over 20 years of experience in the banking and accounting field.

Before joining our Group in December 2015, Mr. Albert Wong worked as a senior manager in the finance and accounts division of S&P Food Manufacturing (M) Berhad for the period from September 1997 to November 1999. In April 2000, Mr. Albert Wong joined Econstates Berhad as its senior manager and then promoted to the general manager of the finance department of the company. In July 2004, Mr. Albert Wong worked as the finance controller of the finance department of Haisan Resources Berhad. He then joined Ireka Development Management Sdn. Bhd. in April 2008 and worked as a senior vice president of the corporate finance department. In December 2009, Mr. Albert Wong joined Quill Construction Sdn. Bhd. as Chief Accountant. In July 2010, he was transferred to Quill Automobiles (M) Sdn. Bhd. as the finance director of the finance department of the company. In October 2011, Mr. Albert Wong joined Montprimo Sdn. Bhd. (formerly known as Macrodon Sdn. Bhd.) as the general manager of the finance department and was transferred to Fivestar Development (Puchong) Sdn. Bhd. where all the terms and conditions of his employment remain unchanged. He subsequently joined Hatten Asset Management Sdn. Bhd. as the financial controller in December 2013.

Mr. Ma Hong Chee, aged 49 is our operations manager. He is responsible for overseeing the production activities of our production plant. Mr. Ma completed SRP, Malaysia Sekolah Menengah Tanah Putih, Kuantan, Pahang.

From October 1996 to April 2010, Mr. Ma joined Grobest Frozen (M) Sdn., Bhd. where he was responsible for (i) setting up the processing plant operation system; (ii) involving in production planning and operation; (iii) monitoring purchasing flow and supplier management flow; and (iv) implementing and managing marketing programme. His last position with the company was manager.

Ms. Siew Poi Voon, aged 39 is our factory manager. She is responsible for overseeing the manufacturing and operations of the production activities of our Group. Ms. Siew joined our Group as human resource and administration executive in March 2013 and was promoted as our assistant factory manager in April 2015. Ms. Siew was subsequently appointed as our factory manager in August 2016. Ms. Siew obtained a Bachelor's degree in Human Development from University Putra Malaysia in July 2001.

From August 2001 to March 2003, Ms. Siew worked as the human resource officer of YP Precision (M) Sdn. Bhd. where she was responsible for general human resource functions which includes payroll, training and development, recruitment as well as matters pertaining to foreign workers in the company. She subsequently joined Delcol Water Solution Sdn. Bhd. in April 2003 as a human resource executive. In December 2007, Ms. Siew joined Jordone Corporation Sdn. Bhd. as a human resource and administration executive. She was subsequently promoted to assistant administrative manager in August 2009 where she was responsible for the company's purchasing, advertising and branding (including media and branding) as well as general administration duties.

None of our senior management had been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus and there is no information which needs to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules or any other matters concerning any senior management which need to be brought to the attention of our Shareholders.

COMPANY SECRETARY

Ms. Chau Wing Kei is the company secretary of our Company. Please refer to the paragraph headed "Senior Management" in this section for her biography.

AUTHORISED REPRESENTATIVES

Mr. Loh and Ms. Chau Wing Kei have been appointed as the authorised representatives of our Company under Rule 5.24 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Tan Cheng Siong has been appointed as the compliance officer of our Company on 9 December 2016. For his biographical information, please refer to the paragraph headed "Executive Directors" in this section.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, our Group will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the associated GEM Listing Rules.

COMPLIANCE ADVISER

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

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated by our Group, including share issues and share repurchases;

(iii) where our Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 17.11 of the GEM Listing Rules.

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

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 27 June 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. The Audit Committee currently consists of three members, namely Mr. Yau Ka Hei, Mr. Chu Kin Ming and Mr. Lee, Alexander Patrick. The chairman of our Audit Committee is Mr. Chu Kin Ming.

Remuneration Committee

Our Company established the Remuneration Committee on 27 June 2017 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The Remuneration Committee currently consists of three members, namely Mr. Yau Ka Hei, Mr. Tan Cheng Siong and Mr. Chu Kin Ming. The chairman of the Remuneration Committee is Mr. Yau Ka Hei.

Nomination Committee

Our Company established the Nomination Committee on 27 June 2017 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee currently consists of three members, namely Mr. Loh Swee Keong, Mr. Yau Ka Hei and Mr. Lee, Alexander Patrick. The chairman of the Nomination Committee is Mr. Loh Swee Keong.

DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The aggregate amount of compensation paid by us for FY2015, FY2016 and the nine months ended 28 February 2017 to our Directors was approximately RM228,000, RM228,000 and RM276,000 respectively.

Save as disclosed above, no other fees, salaries, housing allowances, discretionary bonuses, other allowances and benefits in kind and contributions to pension schemes were paid by our Group to our Directors during the Track Record Period. Our Directors had not waived any emoluments during the Track Record Period.

Mr. Loh, our executive Director, was one of our Group's five highest paid individuals for FY2015, FY2016 and the nine months ended 28 February 2017 respectively, and Mr. Tan, our executive Director, was one of our Group's five highest paid individuals for the nine months ended 28 February 2017. The emoluments paid by us to the five highest paid individuals of our Group excluding our Directors during the Track Record Period are as follows:

	Year ended 31 May		**Nine months ended 28 February**
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Salaries and allowances	452	446	335
Bonuses	20	33	20
Contribution to Employees Provident Fund ("**EPF**")	76	78	52

During the Track Record Period, no remuneration has been paid to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Directors' fees and other emoluments shall start to be payable by our Group from the Listing Date and the expected annual Directors' fees and other emoluments to be paid by our Group for the financial year ending 31 May 2018 will be approximately HK$1.4 million (excluding any discretionary bonus).

REMUNERATION POLICY

The Director's fee for each of our Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of our Remuneration Committee. The remuneration package of each of our Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension.

Prior to the Listing, the remuneration policy of our Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company. Upon and after the Listing, the remuneration package of our Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

DIRECTORS' COMPETING INTERESTS

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

EMPLOYEES

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

SHARE CAPITAL

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

		HK$
Authorised share capital:		
10,000,000,000	Shares of HK$0.01 each	100,000,000
Issued and to be issued, fully paid or credited as fully paid:		
10,000	Shares in issue as at the date of this prospectus	100
439,990,000	Shares to be issued pursuant to the Capitalisation Issue	4,399,900
180,000,000	Shares to be issued pursuant to the Share Offer	1,800,000
Total:		
620,000,000	Shares	6,200,000

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto are made as described herein. The above does not take into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as referred to below or otherwise.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, the minimum level of public float to be maintained by our Company is 25% of its share capital in issue from time to time.

RANKING

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

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 27 June 2017, 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. As at the Latest Practicable Date, no option had been granted under the Share Option Scheme.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 27 June 2017, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to allot and issue a total of 439,990,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 27 June 2017 (or as they may direct) in proportion to their respective 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$4,399,900 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 (other than the right to participate in the Capitalisation Issue).

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate number of not exceeding 20% of the number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be granted under the Share Option Scheme) and the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below. Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Schemes or any other option scheme or similar arrangement for the time being adopted.

This mandate shall 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 to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the allotment and issue of Shares, please refer to the section headed "Statutory and General Information – A. Further information about our Company and our subsidiaries – 3. Written resolutions of the Shareholders" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of not more than 10% of the aggregate number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme).

This mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed "Statutory and General Information – A. Further information about our Company and our subsidiaries – 6. Repurchase by our Company of its own securities" in Appendix IV to this prospectus.

This mandate shall 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 to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the repurchase of Shares, please refer to the section headed "Statutory and General Information – A. Further information about our Company and our subsidiaries – 3. Written resolutions of the Shareholders" in Appendix IV to this prospectus.

SHAREHOLDERS' GENERAL MEETING

Please refer to Appendix III to this prospectus in respect of circumstances under which general meeting is required.

SUBSTANTIAL SHAREHOLDERS

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

Name	**Nature of interest**	**Number of Shares** *(Note 1)*	**Approximate percentage of shareholding**
Merchant World	Beneficial owner	317,020,000 ordinary Shares (L)	51.13%
Mr. Loh *(Note 2)*	Interest in controlled corporation	317,020,000 ordinary Shares (L)	51.13%
Ms. Woon *(Note 3)*	Interest of spouse	317,020,000 ordinary Shares (L)	51.13%
Greater Elite	Beneficial owner	122,980,000 ordinary Shares (L)	19.84%
Mr. Law *(Note 4)*	Interest in controlled corporation	122,980,000 ordinary Shares (L)	19.84%
Ms. Cheng Lai Wah Christina *(Note 5)*	Interest of spouse	122,980,000 ordinary Shares (L)	19.84%

Notes:

(1) The letter (L) denotes the person's long interest in our Shares.

(2) Merchant World is a company incorporated in the BVI and is wholly-owned by Mr. Loh. Mr. Loh is deemed to be interested in all the Shares held by Merchant World for the purpose of the SFO.

(3) Ms. Woon is the spouse of Mr. Loh and is deemed, or taken to be interested in all Shares in which Mr. Loh has interest under the SFO.

(4) Greater Elite is a company incorporated in the BVI and is wholly-owned by Mr. Law. Mr. Law is deemed to be interested in all the Shares held by Greater Elite for the purpose of the SFO.

(5) Ms. Cheng Lai Wah Christina is the spouse of Mr. Law and is deemed, or taken to be interested in all Shares in which Mr. Law has interest under the SFO.

For details of the Director's interests in the Shares immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme), please refer to the section headed "Statutory and General Information – C. Further information about Directors and substantial Shareholders – 1. Directors" in Appendix IV to this prospectus.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Share Offer, have an interest or short position in the Shares or the underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

You should read this section in conjunction with our Group's audited consolidated financial information, has been prepared in accordance with ISA and IFRSs including the notes thereto, as set out in the Accountants' Report included in Appendix I to this prospectus. 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. These statements are based on assumptions and analysis made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, please refer to the sections headed "Risk Factors" and "Forward-looking Statements" of this prospectus.

OVERVIEW

We manufacture and sell precast concrete junction boxes under the brand of "Target" in Malaysia. Our precast concrete junction boxes are used for telecommunication and electrical infrastructures upgrade and expansion work or in construction projects in Malaysia. To complement our business in the manufacturing and sale of precast concrete junction boxes, we also trade junction box covers, accessories and pipes and provide mobile crane rental and ancillary services.

During the Track Record Period, a substantial portion of our revenue was derived from the manufacturing and sale of precast concrete junction boxes which amounted to approximately RM20.5 million, RM29.1 million and RM21.1 million respectively, representing approximately 88.6%, 87.4% and 85.9% of our total revenue for FY2015, FY2016 and the nine months ended 28 February 2017 respectively. On the other hand, our revenue derived from trading of junction box accessories and pipes amounted to approximately RM1.8 million, RM3.9 million and RM3.3 million respectively, representing approximately 7.7%, 11.6% and 13.3% of our total revenue respectively, while our revenue derived from the provision of mobile crane rental and ancillary services amounted to approximately RM0.9 million, RM0.3 million and RM0.2 million respectively, representing approximately 3.7%, 1.0% and 0.8% of our total revenue for FY2015, FY2016 and the nine months ended 28 February 2017 respectively.

During the Track Record Period, our customers mainly included infrastructure companies, construction companies, general contractors, mechanical or electrical contractors or sub-contractors and traders of telecommunication or electrical materials in Malaysia. During the Track Record Period, our five largest customers accounted for approximately 17.0%, 21.4% and 21.9% of our total revenue respectively; and our largest customer accounted for approximately 5.7%, 4.7% and 5.4% of our total revenue respectively.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 28 October 2016. Through a corporate reorganisation as further explained in the section headed "History and Development – Reorganisation" of this prospectus, our Company became the holding company of the subsidiaries now comprising our Group on 11 November 2016, and our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial information has been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. Moreover, our consolidated financial statement has been prepared on the basis as if our Company had always been the holding company of our Group throughout the Track Record Period. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group have been prepared as if the group structure upon completion of the Reorganisation had been in existence throughout the Track Record Period, or since their date of incorporation, where there is a shorter period. The consolidated statements of financial position of our Group as at 31 May 2015, 31 May 2016 and 28 February 2017 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the group structure upon completion of the Reorganisation had been in existence at those dates taking into account the respective date of incorporation, where applicable. Detailed information on the basis of preparation of our financial information included in this prospectus is set forth in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

Our Company's functional currency is RM. As our Group's operations are conducted in Malaysia and all of our revenue is denominated in RM, the financial statements have been presented in RM.

ACCOUNTING TREATMENT OF THE COLLABORATION AGREEMENT

Pursuant to the Collaboration Agreement dated 24 February 2017, our Group shall provide at our own costs of (i) machineries and equipment; (ii) raw materials; and (iii) mini-batching plant to the Ready-mix Concrete Supplier for the production of ready-mix concrete for our exclusive use. Our Group shall also pay the Ready-mix Concrete Supplier the service fee on a monthly basis. For the details of the Collaboration Agreement, please refer to the section headed "Business – Collaboration with a Ready-mix Concrete Supplier – The Collaboration Agreement" of this prospectus.

Given that the Ready-mix Concrete Supplier shall produce the ready-mix concrete by using the machineries and equipment (including but not limited to batching plant and loader) and raw materials provided, owned and controlled by our Group and the output is supplied solely to our Group on an exclusive basis, our Group can, in substance, exercise control over the business unit operated by the Ready-mix Concrete Supplier in relation to the production of the ready-mix concrete undertaken by the Ready-mix Concrete Supplier. Accordingly, our Group should consolidate such business unit in our Group's consolidated financial statements in accordance with IFRS 10.

The following is the major accounting treatments of the Collaboration Agreement in our Group's consolidated financial statements:

- *Mini-batching plant*, *machineries and equipment* – the respective costs shall be recognised as part of our assets in the consolidated statement of financial position, while the relevant depreciation expense shall be recognised in the consolidated statement of profit or loss.

- *Raw materials* – the purchase of raw materials shall be recognised as part of our inventories in the consolidated statement of financial position, while the utilised raw materials in the production of ready-mix concrete shall be recognised as our cost of sales in the consolidated statement of profit or loss.

- *Service fee* – the payment of service fee shall form part of the inventory costs of our Group and be recognised as our cost of sales in the consolidated statement of profit or loss upon the sale of the relevant inventory.

KEY 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, including those set out below and in the section headed "Risk Factors" of this prospectus, some of which are beyond our control:

Cost of raw materials and trading products

The major component of our raw materials and products include junction box covers, ready-mix concrete and steel bars. During the Track Record Period, the total cost of raw materials and trading products accounted for approximately 76.0%, 77.5% and 77.2% of our total cost of sales for FY2015, FY2016 and the nine months ended 28 February 2017 respectively, of which (i) the cost of junction box covers accounted for approximately 36.7%, 35.3% and 35.7% of our total cost of raw materials and trading products respectively; (ii) the cost of ready-mix concrete accounted for approximately 25.6%, 22.4% and 20.4% of our total cost of raw materials and trading products respectively; and (iii) the cost of steel bars accounted for approximately 12.9%, 13.7% and 12.8% of our total cost of raw materials and trading products respectively, for the corresponding periods. The purchase price of our raw materials and products is principally dependent on the prices of the underlying commodities such as iron, concrete and steel reinforcements. If the prices of these commodities increase to such an extent beyond customers' expectations and we are unable to pass on such increases to our customers, our gross profit margin and operation results will be adversely impacted.

We did not enter into any hedging arrangements during the Track Record Period to mitigate any risk associated in relation to price fluctuations of our raw materials.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in purchase price of raw materials and products on our profit before taxation for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017, assuming all other variables remained constant. According to the Ipsos Report, the price of key raw materials recorded at a CAGR ranging from approximately -5.9% to 1.4% during the period between 2012 and 2016. For the sake of prudence, our Group adopted hypothetical fluctuations of 2%, 4% and 6% in performing the sensitivity analysis below:

Hypothetical fluctuations of the cost of raw materials and trading products	**+/-2%**	**+/-4%**	**+/-6%**
	RM'000	*RM'000*	*RM'000*
Decrease/increase in profit before taxation			
Year ended 31 May 2015	-/+239	-/+477	-/+716
Year ended 31 May 2016	-/+362	-/+724	-/+1,086
Nine months ended 29 February 2016	-/+268	-/+536	-/+804
Nine months ended 28 February 2017	-/+251	-/+502	-/+753

Competition

Competition in the industry in which we operate significantly affects our operation results. We compete primarily on the basis of (i) the quality of our products; (ii) the price of similar products offered by our competitors in the market; and (iii) the responsiveness to changes in customers' need. Owing to the competitive and consolidated nature in the precast concrete telecommunication junction box and electrical junction box manufacture industry in Malaysia, we may face compressed profit margin and lower revenue. In addition, failure to compete effectively in the market may adversely affect our business and as a result, affect our operation results.

Market demand

The demand of precast concrete junction boxes is driven by the level of telecommunication and power infrastructure in a property development or other construction projects. As all our revenue from sale of precast concrete junction boxes is derived in Malaysia, our profitability is dependent on the level of telecommunication and power infrastructure construction projects in Malaysia.

The timing, size and nature of these projects will, on the other hand, be determined by number of factors such as the Malaysian government's spending budget on construction projects, the investment of property developers and the general conditions and prospects of the local economy.

According to the Ipsos Report, the total value of construction work done and the total revenue of the precast concrete junction box industry in Malaysia are estimated to grow at a CAGR of approximately 5.1% and 8.1% from 2016 to 2019, respectively. Our Directors believe that our Group will benefit from the continuous growth in demand for our products.

Production capacity and utilisation rate

For FY2015, FY2016 and the nine months ended 28 February 2017, the average utilisation rate of our Existing Selangor Plant was approximately 57.9%, 84.8% and 83.1% respectively. It is our strategic plan to expand our Existing Selangor Plant and set up the New Kulaijaya Plant in Southern Malaysia for the production of precast concrete junction boxes in order to meet the increasing demand for precast concrete junction boxes for domestic Malaysian market and to capture future growth opportunities in the construction industry in Malaysia. Upon completion of the expansion of our Existing Selangor Plant and the commencement of operation of our New Kulaijaya Plant, our estimated annual production capacity of precast concrete junction boxes will increase by approximately 46.7%.

Accordingly, we expect (i) to benefit from economies of scale from the expansion of our production capacity; (ii) to gain market share; and (iii) our revenue to be benefited. However, we cannot assure our profit to increase solely as an increase in our production capacity as such increase depends on other factors. Further details of our expansion plan is set out in the section headed "Business – Business strategies" of this prospectus.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those accounting policies and estimates that require significant judgments and uncertainties and potentially yield materially different results under different assumptions and conditions. Notes 3 and 4 of section B of the Accountants' Report in Appendix I to this prospectus set forth certain significant accounting policies. Our consolidated financial information have been prepared in accordance with ISA and IFRSs, which require that we adopt accounting policies and make estimates that we believe are the most appropriate in the circumstances for the purposes of giving us a true and fair view of our operation results and financial condition. Estimates and judgments are based on our management's historical experience, prevailing market conditions and applicable rules and regulations, and are reviewed on a continual basis taking into account of the changing environment and circumstances.

RESULTS OF OPERATIONS

The consolidated statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus:

	Year ended 31 May		Nine months ended	
			29 February	28 February
	2015	2016	2016	2017
	RM'000	*RM'000*	*RM'000*	*RM'000*
			(unaudited)	
Revenue	23,165	33,281	24,340	24,520
Cost of sales	(15,687)	(23,352)	(17,012)	(16,253)
Gross profit	7,478	9,929	7,328	8,267
Other income	70	154	142	100
Administrative expenses	(1,255)	(2,198)	(1,322)	(2,022)
Selling and distribution expenses	(1,081)	(1,256)	(1,000)	(1,088)
Listing expenses	–	–	–	(4,292)
Finance costs	(98)	(75)	(54)	(50)
Fair value change of financial assets at fair value through profit or loss	(7)	12	18	13
Profit before taxation	5,107	6,566	5,112	928
Taxation	(1,261)	(1,671)	(1,191)	(1,314)
Profit/(Loss) and total comprehensive income/(expense) for the year/period	3,846	4,895	3,921	(386)

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue was principally derived from (i) manufacturing and sale of precast concrete junction boxes; (ii) trading of junction box accessories and pipes; and (iii) provision of mobile crane rental and ancillary services, which in aggregate amounted to approximately RM23.2 million, RM33.3 million, RM24.3 million and RM24.5 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively.

Revenue by business categories

The table below sets out a breakdown of our revenue by business categories and as a percentage of our total revenue during the Track Record Period:

	Year ended 31 May				Nine months ended			
					29 February		28 February	
	2015		2016		2016		2017	
	RM'000	*%*	*RM'000*	*%*	*RM'000* (unaudited)	*%*	*RM'000*	*%*
Manufacturing and sale of precast concrete junction boxes	20,521	88.6	29,089	87.4	21,256	87.3	21,063	85.9
Trading of junction box accessories and pipes	1,790	7.7	3,862	11.6	2,840	11.7	3,254	13.3
Provision of mobile crane rental and ancillary services	854	3.7	330	1.0	244	1.0	203	0.8
Total	23,165	100.0	33,281	100.0	24,340	100.0	24,520	100.0

We derive our revenue primarily from manufacturing and sale of precast concrete junction boxes. During the Track Record Period, the revenue generated from the manufacturing and sale of precast concrete junction boxes contributed the largest portion of our Group's total revenue, which amounted to approximately RM20.5 million, RM29.1 million, RM21.3 million and RM21.1 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively, equivalent to approximately 88.6%, 87.4%, 87.3% and 85.9% of our total revenue, respectively.

The table below sets out the revenue, sales volume and average unit price of our precast concrete junction boxes during the Track Record Period:

	Year ended 31 May		Nine months ended	
			29 February	28 February
	2015	2016	2016 (unaudited)	2017
Revenue *(RM'000)*	20,521	29,089	21,256	21,063
Sales volume *(units)*	21,077	27,817	19,137	18,843
Average unit price *(RM)*	974	1,046	1,111	1,118

Our sales volume for our manufacturing business for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 was approximately 21,077 units, 27,817 units, 19,137 units and 18,843 units respectively, of which the average unit price of our precast concrete junction boxes amounted to approximately RM974, RM1,046, RM1,111 and RM1,118 for the corresponding periods respectively.

The unit price of our products was determined by reference to the following factors (i) product specifications, functional and quality requirements, complexity of the manufacturing process, sales volume, lead time and delivery schedules required by our customers; (ii) the competitive landscape of the products; (iii) production costs especially the costs of the prevailing costs of the ready-mix concrete; and (iv) payment terms.

Our revenue generated from trading of junction box accessories and pipes was approximately RM1.8 million, RM3.9 million, RM2.8 million and RM3.3 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively, equivalent to approximately 7.7%, 11.6%, 11.7% and 13.3% of our total revenue respectively.

Our revenue generated from the provision of mobile crane rental and ancillary services was approximately RM0.9 million, RM0.3 million, RM0.2 million and RM0.2 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively, equivalent to approximately 3.7%, 1.0%, 1.0% and 0.8% of our total revenue, respectively.

Revenue generated from manufacturing and sale of precast concrete junction boxes by regions

The table below sets out a breakdown of our revenue generated from manufacturing and sale of precast concrete junction boxes by major regions in Malaysia based on the locations at which goods are distributed by us and as a percentage of our revenue from manufacturing and sale of precast concrete junction boxes during the Track Record Period:

	Year ended 31 May				Nine months ended			
					29 February		28 February	
	2015		2016		2016		2017	
	RM'000	*%*	*RM'000*	*%*	*RM'000* (unaudited)	*%*	*RM'000*	*%*
Central Malaysia *(Note 1)*	10,049	49.0	12,575	43.2	8,569	40.3	10,277	48.8
Southern Malaysia *(Note 2)*	6,802	33.2	10,092	34.7	8,257	38.8	7,170	34.0
Northern Malaysia *(Note 3)*	2,071	10.1	2,548	8.8	1,502	7.1	1,946	9.3
Eastern Coast Malaysia *(Note 4)*	1,599	7.7	3,874	13.3	2,928	13.8	1,670	7.9
Total	20,521	100.0	29,089	100.0	21,256	100.0	21,063	100.0

Notes:

1. Central Malaysia refers to Selangor Darul Ehsan and federal territories of Kuala Lumpur and Putrajaya.

2. Southern Malaysia refers to Johor Darul Ta'zim, Malacca and Negeri Sembilan Darul Khusus.

3. Northern Malaysia refers to Kedah Darul Aman, Penang, Perak Darul Ridzuan and Perlis Indera Kayangan.

4. Eastern Coast Malaysia refers to Kelantan Darul Naim, Pahang Darul Makmur and Terengganu Darul Iman.

We derived our revenue generated from manufacturing and sale of precast concrete junction boxes mainly from the distribution to Central Malaysia and Southern Malaysia. The revenue generated from Central Malaysia amounted to approximately RM10.0 million, RM12.6 million, RM8.6 million and RM10.3 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively, representing approximately 49.0%, 43.2%, 40.3% and 48.8% in terms of our total revenue generated from manufacturing and sale of precast concrete junction boxes respectively. The revenue generated from Southern Malaysia amounted to approximately RM6.8 million, RM10.1 million, RM8.3 million and RM7.2 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively, representing approximately 33.2%, 34.7%, 38.8% and 34.0% of our total revenue generated from manufacturing and sale of precast concrete junction boxes respectively. For FY2016, the increase in the sales of our precast concrete junction boxes of approximately RM3.3 million in Southern Malaysia (from approximately RM6.8 million for FY2015 to approximately RM10.1 million for FY2016) was mainly due to the approximate RM1.9 million increase in the sales of our precast concrete telecommunication junction boxes to contractors who undertook Maxis's infrastructure construction projects in Southern Malaysia. The remaining increase in sales of our precast concrete junction boxes of approximately RM1.3 million was mainly attributable to increase in orders placed by contractors for property and infrastructure projects in Southern Malaysia. For the nine months ended 28 February 2017, the decrease in sale of precast concrete junction boxes of approximately RM1.1 million in Southern Malaysia (from approximately RM8.3 million for the nine months ended 29 February 2016 to approximately RM7.2 million for the nine months ended 28 February 2017) was mainly attributable to the decrease in revenue of approximately RM0.7 million generated from Sun-Jaya M&E Sdn. Bhd., our fifth largest customer for FY2016, who substantially completed public infrastructure projects in Southern Malaysia during the nine months ended 28 February 2017.

It is noted that nine out of the 14 business-to-business agreements entered into between Malaysia and China focused on construction, infrastructure, which also require ancillary construction and development infrastructure, such as electricity and telecommunication network distribution whereby precast concrete junction boxes have become more prevalent replacing traditional cast-in-situ concrete construction practices. We have not been awarded any projects relating to the OBOR initiatives up to the Latest Practicable Date. Furthermore, our Directors take the view that the Malaysia-Singapore High Speed Rail project which will connect Kuala Lumpur and Johor Bahru with Singapore will fuel significant construction projects in Southern Malaysia. We wish to tap into these ancillary construction and infrastructure project by provision of our precast concrete junction boxes. In light of the above, on 23 December 2016, our Group entered into a legally-binding letter of award (approximately RM21.4 million) with Telekom (a leading telecommunication company in Malaysia with a history tracing back to 1946) for the supply of precast concrete telecommunication junction boxes for a period from 1 January 2017 to 31 December 2019.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuation in our revenue during the Track Record Period.

Cost of sales

Our cost of sales amounted to approximately RM15.7 million, RM23.4 million, RM17.0 million and RM16.3 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively, equivalent to approximately 67.7%, 70.2%, 69.9% and 66.3% of our total revenue respectively.

Cost of sales by business categories

The table below sets out the breakdown of our cost of sales by business categories during the Track Record Period:

	Year ended 31 May				**Nine months ended**			
	2015		**2016**		**29 February 2016**		**28 February 2017**	
	RM'000	%	*RM'000*	%	*RM'000* (unaudited)	%	*RM'000*	%
Manufacturing and sale of precast concrete junction boxes	13,574	86.5	19,500	83.5	14,204	83.5	13,240	81.5
Trading of junction box accessories and pipes	1,586	10.1	3,533	15.1	2,574	15.1	2,841	17.5
Provision of mobile crane rental and ancillary services	527	3.4	319	1.4	234	1.4	172	1.0
Total	15,687	100.0	23,352	100.0	17,012	100.0	16,253	100.0

During the Track Record Period, the cost of sales from manufacturing and sale of precast concrete junction boxes accounted for the largest portion among our Group's total cost of sales, which amounted to approximately RM13.6 million, RM19.5 million, RM14.2 million and RM13.2 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively, and equivalent to approximately 86.5%, 83.5%, 83.5% and 81.5% of our total cost of sales respectively. Our cost of sales from trading of junction box accessories and pipes was approximately RM1.6 million, RM3.5 million, RM2.6 million and RM2.8 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively, and equivalent to approximately 10.1%, 15.1%, 15.1% and 17.5% of our total cost of sales respectively. Our cost of sales from provision of mobile crane rental and ancillary services was approximately RM0.5 million, RM0.3 million, RM0.2 million and RM0.2 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively, and equivalent to approximately 3.4%, 1.4%, 1.4% and 1.0% of our total cost of sales respectively.

Cost of sales by nature

Costs of sales mainly consists of (i) cost of raw materials and trading products; (ii) manufacturing overheads; (iii) direct labour; and (iv) crane hiring costs. The table below sets out the breakdown of our cost of sales by nature during the Track Record Period:

	Year ended 31 May				**Nine months ended**			
	2015		**2016**		**29 February 2016**		**28 February 2017**	
	RM'000	*%*	*RM'000*	*%*	*RM'000* (unaudited)	*%*	*RM'000*	*%*
Cost of raw materials and trading products	11,926	76.0	18,104	77.5	13,393	78.7	12,546	77.2
Manufacturing overheads								
– Freight charges	1,400	8.9	2,251	9.6	1,619	9.5	1,501	9.2
– Factory rental	278	1.8	376	1.6	271	1.6	320	2.0
– Maintenance costs	313	2.0	675	2.9	424	2.5	481	3.0
– Others	295	1.9	391	1.7	246	1.4	296	1.8
Subtotal	2,286	14.6	3,693	15.8	2,560	15.0	2,598	16.0
Direct labour	1,345	8.6	1,533	6.6	1,049	6.2	1,049	6.4
Crane hiring costs	130	0.8	22	0.1	10	0.1	60	0.4
Total	15,687	100.0	23,352	100.0	17,012	100.0	16,253	100.0

Our cost of sales amounted to approximately RM15.7 million, RM23.4 million, RM17.0 million and RM16.3 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively.

Cost of raw materials and trading products

Our cost of raw materials and trading products was mainly incurred for the manufacturing and sale of precast concrete junction boxes and trading of junction box accessories and pipes, which amounted to approximately RM11.9 million, RM18.1 million, RM13.4 million and RM12.5 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively, and equivalent to approximately 76.0%, 77.5%, 78.7% and 77.2% of our cost of sales respectively.

The table below sets out the breakdown of our cost of raw materials and trading products during the Track Record Period:

	Year ended 31 May				Nine months ended			
					29 February		28 February	
	2015		2016		2016		2017	
	RM'000	*% of cost of raw materials and trading products*	*RM'000*	*% of cost of raw materials and trading products*	*RM'000* (unaudited)	*% of cost of raw materials and trading products*	*RM'000*	*% of cost of raw materials and trading products*
Manufacturing and sale of precast concrete junction boxes								
– Junction box covers	4,371	36.7	6,396	35.3	4,742	35.4	4,482	35.7
– Ready-mix concrete	3,047	25.6	4,055	22.4	3,024	22.6	2,556	20.4
– Steel bars	1,543	12.9	2,487	13.7	1,803	13.4	1,602	12.8
– Others	1,276	10.6	1,545	8.6	1,200	9.0	1,024	8.1
Subtotal	10,237	85.8	14,483	80.0	10,769	80.4	9,664	77.0
Trading of junction box accessories and pipes	1,689	14.2	3,621	20.0	2,624	19.6	2,882	23.0
Total cost of raw materials and trading products	11,926	100.0	18,104	100.0	13,393	100.0	12,546	100.0

The major component of our raw materials and products include junction box covers, ready-mix concrete and steel bars. The increase in our cost of raw materials and trading products from approximately RM11.9 million for FY2015 to approximately RM18.1 million for FY2016 was mainly due to the increase in manufacturing of precast concrete junction boxes.

Manufacturing overheads

Manufacturing overheads mainly consisted of freight charges, factory rental expense, maintenance costs of manufacturing items, ancillary items, depreciation of plant and machineries, utilities and other miscellaneous production costs, which amounted to approximately RM2.3 million, RM3.7 million, RM2.6 million and RM2.6 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively, and equivalent to approximately 14.6%, 15.8%, 15.0% and 16.0% of our total cost of sales respectively.

Our manufacturing overheads represented approximately 9.9%, 11.1%, 10.5% and 10.6% of our total revenue for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively.

Direct labour costs

Direct labour costs consisted of salaries and benefits for employees in our manufacturing operations, which amounted to approximately RM1.3 million, RM1.5 million, RM1.0 million and RM1.0 million for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively, and equivalent to approximately 8.6%, 6.6%, 6.2% and 6.4% of our total cost of sales respectively.

Gross profit and gross profit margin

The tables below sets out the breakdown of our gross profit and gross profit margin by business categories during the Track Record Period:

	Year ended 31 May				Nine months ended			
	2015		2016		29 February 2016		28 February 2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RM'000	*%*	*RM'000*	*%*	*RM'000* (unaudited)	*%*	*RM'000*	*%*
Manufacturing and sale of precast concrete junction boxes	6,947	33.9	9,589	33.0	7,052	33.2	7,823	37.1
Trading of junction box accessories and pipes	204	11.4	329	8.5	266	9.4	413	12.7
Provision of mobile crane rental and ancillary services	327	38.3	11	3.3	10	4.1	31	15.3
Total	7,478	32.3	9,929	29.8	7,328	30.1	8,267	33.7

For FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017, our gross profit amounted to approximately RM7.5 million, RM9.9 million, RM7.3 million and RM8.3 million, respectively, representing gross profit margin of approximately 32.3%, 29.8%, 30.1% and 33.7% for the corresponding periods, respectively.

Other income

The table below sets out the breakdown of our other income during the Track Record Period:

	Year ended 31 May		Nine months ended	
			29 February	28 February
	2015	2016	2016	2017
	RM'000	*RM'000*	*RM'000*	*RM'000*
			(unaudited)	
Interest income	46	34	29	48
Rental income	24	25	18	16
Others	–	95	95	36
Total other income	70	154	142	100

Our other income mainly consisted of bank interest income and rental income from our investment property situated in Malaysia, and amounted to approximately RM70,000, RM154,000, RM142,000 and RM100,000 for FY2015, FY2016, the nine months ended 29 February 2016 and the nine months ended 28 February 2017, respectively.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuations in our other income.

Administrative expenses

Our administrative expenses mainly consisted of salaries, welfare and other benefits, rent and rates, general office expenses, depreciation and professional service fees.

The table below sets out the breakdown of our administrative expenses during the Track Record Period:

	Year ended 31 May				Nine months ended			
					29 February		28 February	
	2015		2016		2016		2017	
	RM'000	*%*	*RM'000*	*%*	*RM'000* (unaudited)	*%*	*RM'000*	*%*
Salaries, welfare and other benefits	626	49.9	837	38.1	538	40.7	1,214	60.0
General office expenses	163	13.0	182	8.3	144	10.9	191	9.4
Depreciation	191	15.2	202	9.2	147	11.1	171	8.5
Professional service fees	83	6.6	381	17.3	192	14.5	137	6.8
Repair and maintenance	20	1.6	36	1.6	22	1.7	34	1.7
Licence and permit expenses	11	0.9	195	8.9	147	11.1	83	4.1
Rent and rates	30	2.4	21	1.0	8	0.6	23	1.1
Gift and donation	39	3.1	20	1.0	18	1.4	28	1.4
Provision for doubtful debts	–	–	176	8.0	–	–	–	–
Others	92	7.3	148	6.6	106	8.0	141	7.0
	1,255	100.0	2,198	100.0	1,322	100.0	2,022	100.0

Our administrative expenses increased from approximately RM1.3 million for FY2015 to approximately RM2.2 million for FY2016 mainly due to the increases in salaries, welfare and other benefits for administrative staff and professional service fees. Our administrative expenses increased from approximately RM1.3 million for the nine months ended 29 February 2016 to approximately RM2.0 million for the nine months ended 28 February 2017 mainly due to the increases in salaries, welfare and other benefits for administrative and finance staff and general office expenses.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuations in our administrative expenses.

Selling and distribution expenses

Our selling and distribution expenses mainly consisted of salaries, welfare and other benefits for sales and marketing staff and travelling and entertainment expenses. The table below sets out the breakdown of our selling and distribution expenses during the Track Record Period:

	Year ended 31 May				Nine months ended			
	2015		2016		29 February 2016		28 February 2017	
	RM'000	*%*	*RM'000*	*%*	*RM'000* (unaudited)	*%*	*RM'000*	*%*
Salaries, welfare and other benefits	915	84.7	1,084	86.3	866	86.6	919	84.5
Travelling and entertainment	154	14.2	95	7.6	61	6.1	94	8.6
Advertisement expenditures	12	1.1	77	6.1	73	7.3	75	6.9
	1,081	100.0	1,256	100.0	1,000	100.0	1,088	100.0

Selling and distribution expenses increased from approximately RM1.1 million for FY2015 to approximately RM1.3 million for FY2016 mainly due to the increase in salaries, welfare and other benefits for sales and marketing staff, which was attributed to the increase in commission paid to them. The selling and distribution expenses slightly increased from approximately RM1.0 million for the nine months ended 29 February 2016 to approximately RM1.1 million for the nine months ended 28 February 2017 mainly due to the increase in salaries, welfare and other benefits.

Finance costs

The table below sets out the breakdown of our finance costs during the Track Record Period:

	Year ended 31 May				Nine months ended			
	2015		2016		29 February 2016		28 February 2017	
	RM'000	*%*	*RM'000*	*%*	*RM'000* (unaudited)	*%*	*RM'000*	*%*
Interest on finance leases	51	52.0	14	18.7	13	24.1	21	42.0
Interest on term loan	19	19.4	23	30.6	19	35.2	8	16.0
Interest on trust receipt loan	20	20.4	24	32.0	14	25.9	12	24.0
Interest on bank overdraft	8	8.2	14	18.7	8	14.8	9	18.0
	98	100.0	75	100.0	54	100.0	50	100.0

During the Track Record Period, our finance costs represented interest expenses for bank borrowings and finance leases. Our bank borrowings obtained during the Track Record Period were mainly used to finance the working capital of our Group. Our bank borrowings carried floating rates and the weighted average effective interest rate of our bank borrowings ranged from approximately 3.35% to 9.0%, 3.35% to 9.0% per annum and nil as at 31 May 2015, 31 May 2016, and 28 February 2017 respectively.

During the Track Record Period, our Group acquired six vehicles, four machineries and an office equipment under finance leases, and the average lease term ranged from three to five years. The interest rates on our finance leases ranged from approximately 4.50% to 7.10%, 6.25% to 7.10%, 4.70% to 7.10% per annum for FY2015, FY2016 and the nine months ended 28 February 2017 respectively.

Taxation

Our Group's revenue during the Track Record Period was derived in Malaysia and therefore, our Group was subject to Malaysian corporate income tax which was provided at the statutory tax rates of 25.0%, 24.0% and 24.0% of the estimated taxable profits for FY2015, FY2016 and the nine months ended 28 February 2017 respectively. The effective tax rates (represented by taxation divided by profit before taxation) of our Group for FY2015, FY2016 and the nine months ended 28 February 2017 were approximately 24.7%, 25.4% and 141.6% respectively. For the nine months ended 28 February 2017, we incurred Listing expenses of approximately RM4.3 million (equivalent to approximately HK$7.8 million) which was non-deductible in Malaysia for tax purpose and resulted in significantly higher effective tax rate of approximately 141.6% for the nine months ended 28 February 2017 as compared to that for FY2015 and FY2016.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2015 compared to FY2016

Revenue

Our revenue increased by approximately RM10.1 million, or 43.7%, from approximately RM23.2 million for FY2015 to approximately RM33.3 million for FY2016. The increase was primarily due to the increase in the sales volume of our precast concrete junction boxes from 21,077 units for FY2015 to 27,817 units for FY2016, that was above historical industry CAGR for 2012-2015 at approximately 7.0% according to the Ipsos Report.

The increment was mainly caused by sales increase of (i) precast concrete telecommunication junction boxes by approximately RM5.8 million (or 5,060 units); and (ii) precast concrete electrical junction boxes by approximately RM2.8 million (or 1,680 units):

(i) Precast concrete telecommunication junction boxes

For FY2016, our revenue and sales volume of precast concrete telecommunication junction boxes increased by approximately RM5.8 million and 5,060 units respectively as compared to that of FY2015. The increase was mainly attributable to:

- Approximately RM4.4 million (or 2,827 units) were attributed to the increase in the revenue generated from customers (including but not limited to our three largest customers for FY2016) who had been involved in the infrastructure construction projects owned by Maxis, a leading communications and internet service provider in Malaysia, which increased its capital expenditure by approximately 21.0% *(Note)* in 2015. We, being the approved supplier of Maxis for the provision of precast concrete telecommunication junction boxes, benefited from its expansion and infrastructure upgrade by supplying precast concrete telecommunication junction boxes to the aforesaid customers, who are mainly contractors or service providers in the construction projects. We do not have any direct contractual relationship with Maxis.

- Approximately RM1.3 million (or 993 units) were caused by the increase in sales to other customers, mainly including Customer C and a contractor for property projects. Such increases were mainly attributable to additional property projects mainly in Central Malaysia, Southern Malaysia and Eastern Coast Malaysia.

(ii) Precast concrete electrical junction boxes

For FY2016, the increases in sales and sales volume of precast concrete electrical junction boxes were approximately RM2.8 million and 1,680 units respectively, of which approximately RM2.5 million (or 775 units) were mainly attributable to orders placed by Sun-Jaya M&E Sdn. Bhd. and other contractors for additional property projects mainly in Central Malaysia and Southern Malaysia.

Our Directors are of the view that we were able to outperform our industry growth for FY2016 due to (i) our Group as one of the few approved suppliers of Maxis for the provision of precast concrete telecommunication junction boxes, benefited from the increase in capital expenditure of Maxis; and (ii) the increase in sales and marketing efforts (as shown by the increase in our advertising expenditures by approximately RM65,000 or 541.7% during FY2016) in promoting our precast concrete junction boxes.

Our revenue generated from the manufacturing and sale of precast concrete junction boxes increased by approximately 42.0%, from approximately RM20.5 million for FY2015 to approximately RM29.1 million for FY2016, which was mainly due to (i) the strong demand for precast concrete junction boxes in Central Malaysia and Southern Malaysia for FY2016; and (ii) the increase in revenue and sales volume of our precast telecommunication junction boxes by approximately RM5.8 million and 5,060 units respectively during FY2016 which was mainly related to the increase in sales to our customers for undertaking infrastructure construction projects owned by Maxis, a leading communications and internet service provider in Malaysia.

Note: Data extracted from Maxis's Annual Report 2015.

Our revenue generated from trading of junction box accessories and pipes increased by approximately 115.8%, from approximately RM1.8 million for FY2015 to approximately RM3.9 million for FY2016, which was mainly attributed to the increase in sale of piping products.

Cost of sales

Our cost of sales increased by approximately RM7.7 million, or 48.9%, from approximately RM15.7 million for FY2015 to approximately RM23.4 million for FY2016. The increase in the cost of sales, in terms of percentage, was higher than the increase in our revenue during the same period. Such difference was mainly due to (i) the increase in the maintenance costs of our machineries and moulds which was in line with the increase in sales volume in the period; (ii) the increase in rental expenses as a result of leasing a piece land for our New Kulaijaya Plant in December 2015; and (iii) the increase in freight charges for the delivery of our precast concrete junction boxes to construction sites in relatively remote areas such as Johor, in Southern Malaysia.

Our cost of raw materials and trading products increased by approximately RM6.2 million, or 51.8%, from approximately RM11.9 million for FY2015 to approximately RM18.1 million for FY2016. Such increase was mainly attributed to (i) the increase in the purchase of junction box covers, ready-mix concrete and steel bars for our production which was in line with the increase in sales volume in the periods given the new plant has not commenced any production of our precast concrete; and (ii) the increase in purchase of piping products for trading purpose.

Our direct labour costs slightly increased by approximately RM0.2 million, or 14.0%, from approximately RM1.3 million for FY2015 to approximately RM1.5 million for FY2016 due to the increase in salaries and other benefits expenses for our direct labour as a result of the increase in our production for FY2016. Such increase was generally in line with the increase in sales volume of our precast concrete junction boxes.

Our manufacturing overheads increased by approximately RM1.4 million, or 61.5%, from approximately RM2.3 million for FY2015 to approximately RM3.7 million for FY2016, which was mainly due to the increase in freight charges by approximately RM0.8 million. The increase in freight charges was mainly due to the delivery of our precast concrete junction boxes to relatively remote areas in Malaysia.

Gross profit and gross profit margin

Our gross profit increased by approximately RM2.5 million, or 32.8%, from approximately RM7.5 million for FY2015 to approximately RM9.9 million for FY2016, while our gross profit margin decreased from approximately 32.3% for FY2015 to approximately 29.8% for FY2016. The increase in our gross profit was mainly due to the increase in manufacturing and sale of precast concrete junction boxes from approximately RM20.5 million for FY2015 to approximately RM29.1 million for FY2016.

Meanwhile, the decrease in our gross profit margin was mainly due to the increase in our freight charges and maintenance cost of our machinery and moulds. As a result, our gross profit margin from the manufacturing and sale of precast junction boxes also decreased from approximately 33.9% for FY2015 to approximately 33.0% for FY2016.

Other income

Our other income increased by approximately RM84,000, or 120.0%, from approximately RM70,000 for FY2015 to approximately RM154,000 for FY2016. The increase was primarily due to the reversal of accrual charges on software license fee of approximately RM67,000.

Administrative expenses

Our administrative expenses increased by approximately RM0.9 million, or 75.1%, from approximately RM1.3 million for FY2015 to approximately RM2.2 million for FY2016. Such increase was mainly due to (i) the increase in professional service fees of approximately RM0.3 million; (ii) the increase in salaries, welfare and other benefits for administrative and finance staff of approximately RM0.2 million; (iii) the increase in licence and permit expenses of approximately RM0.2 million; and (iv) the provision for doubtful debts of approximately RM0.2 million. The increase in professional service fees was mainly due to the professional fees in connection with the Proposed Malaysia Listing which had been discontinued. The increase in salaries, welfare and other benefits for administrative and finance staff was mainly due to the increase in our headcount of administrative and finance staff from seven as at 31 May 2015 to 16 as at 31 May 2016 and the salary increment of our Group for FY2016. The increase in licence and permit expenses was mainly the application fees for temporary building permits in our Existing Selangor Plant. For FY2015, our licence and permit expenses amounted to approximately RM11,000, which was mainly related to (i) renewal fees for our Group's then licences and permits which had been granted during FY2015, including, but not limited to, business licences; and (ii) stamp duty on banking facilities granted to our Group. Furthermore, in light of our Group's growing business operations, a renovation of the Existing Selangor Plant was contemplated by replacing the then containers which were used as office and storage area by a new non-permanent or temporary structure. As the replacement fell under the category of "temporary buildings" pursuant to Malaysian Law, a "temporary building permit" was required before the replacement structure could be used by our Group *(Note)*.

On the other hand, for FY2016, our licence and permit expenses amounted to approximately RM195,000. The said amount mainly comprised (i) renewal fees for our Group's existing licences and permits in the sum approximately RM17,800; and (ii) application fees for new licences and permits (mainly temporary building permit, see below) in an aggregate sum of approximately RM178,000 which were related to our application for a temporary building permit for its new non-permanent structure at the Existing Selangor Plant, which was issued to our Group on 1 April 2016 and was valid up to 1 January 2017. Such amount resulted in the significant increment of licence and permit expenses for FY2016 as compared to that for FY2015. For the avoidance of doubt, such temporary building permit was not required when our Group used containers for office and storage in the Existing Selangor Plant before it decided to build the new non-permanent or temporary structure therein.

Note: According to the Malaysian Legal Advisers.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RM0.2 million, or 16.3%, from approximately RM1.1 million for FY2015 to approximately RM1.3 million for FY2016. Such increase was mainly due to (i) the increase in commission paid to our sales and marketing staff; (ii) the increase in our headcount of sales and marketing staff from 12 as at 31 May 2015 to 16 as at 31 May 2016; and (iii) the salary increment of our sales and marketing staff for FY2016.

Finance costs

Our finance costs decreased from approximately RM98,000 for FY2015 to approximately RM75,000 for FY2016. Such decrease was attributed to the combined effects of (i) the decrease in interest expenses under finance leases, as a result of the decrease in the number of our vehicles and machineries under finance leases from six as at 31 May 2015 to two as at 31 May 2016; and (ii) the increase in bank borrowings from approximately RM542,000 as at 31 May 2015 to approximately RM615,000 as at 31 May 2016.

Taxation

Income tax expenses amounted to approximately RM1.3 million and RM1.7 million for FY2015 and FY2016 respectively. The effective tax rates for FY2015 and FY2016 were approximately 24.7% and 25.4% respectively, which were generally in line with the Malaysian statutory tax rates of 25.0% and 24.0% for FY2015 and FY2016, respectively.

Profit and total comprehensive income for the year

Our Group's profit for the year was approximately RM4.9 million for FY2016, representing an increase of approximately RM1.1 million, or 27.3%, as compared to the corresponding period in FY2015, which was mainly due to (i) the increase in revenue generated from manufacturing and sale of precast concrete junction boxes by approximately RM8.6 million for FY2016; and (ii) the increase in gross profit from approximately RM7.5 million for FY2015 to approximately RM9.9 million for FY2016. Our net profit margin decreased from approximately 16.6% for FY2015 to approximately 14.7% for FY2016. Such decrease in net profit margin was mainly caused by the slight decrease in gross profit margin and the increase in administrative expenses for FY2016.

Nine months ended 29 February 2016 compared to nine months ended 28 February 2017

Revenue

Our revenue slightly increased by approximately RM0.2 million, or 0.7%, from approximately RM24.3 million for the nine months ended 29 February 2016 to approximately RM24.5 million for the nine months ended 28 February 2017. The increase was primarily due to the increase in sales of scrap metals.

Our revenue generated from the manufacturing and sale of precast concrete junction boxes slightly decreased by approximately 0.9%, from approximately RM21.3 million for the nine months ended 29 February 2016 to approximately RM21.1 million for the nine months ended 28 February 2017. The decrease was mainly caused by the combined effects of (i) the decrease in sales of precast concrete telecommunication junction boxes by approximately RM1.9 million; and (ii) the increase in sales of precast concrete electrical junction boxes by approximately RM1.7 million:

(i) Precast concrete telecommunication junction boxes

For the nine months ended 28 February 2017, our sales of precast concrete telecommunication junction boxes decreased by approximately RM1.9 million as compared to that for the nine months ended 29 February 2016. The decrease was mainly attributable to the combined effects of:

- a decrease of approximately RM0.8 million which was attributed to the decrease in the revenue generated from our major customers (including our second largest customer for FY2015, and our second and third largest customers for FY2016) who substantially completed telecommunication infrastructure upgrade projects owned by Maxis, a leading communications and internet service provider in Malaysia, during the nine months ended 28 February 2017; and

- a decrease of approximately RM1.1 million which was attributed to the decrease in the revenue generated from Customer C who substantially completed a property project in Eastern Coast Malaysia during the nine months ended 28 February 2017.

(ii) Precast concrete electrical junction boxes

For the nine months ended 28 February 2017, the sales of precast concrete electrical junction boxes increased by approximately RM1.7 million as compared to that for the nine months ended 29 February 2016. The increase was mainly attributable to the combined effects of:

- an increase of approximately RM2.1 million which was attributed to the increase in orders placed by our key customers (i.e. contractors) for the nine months ended 28 February 2017, who undertook additional property or infrastructure projects mainly in Central Malaysia and Northern Malaysia; and

- a decrease of approximately RM0.6 million which was attributed to the decrease in orders of precast concrete electrical junction boxes placed by Sun-Jaya M&E Sdn. Bhd., our fifth largest customer for FY2016, who substantially completed a public infrastructure project in Southern Malaysia during the nine months ended 28 February 2017.

Our sales of precast concrete junction boxes in Central Malaysia increased by approximately RM1.7 million, from approximately RM8.6 million for the nine months ended 29 February 2016 to approximately RM10.3 million for the nine months ended 28 February 2017, of which approximately RM1.1 million was mainly attributable to the increase in sales to Bersatu Electrical Engineering Sdn. Bhd. and Cable Line Electrical Engineering Sdn. Bhd., who undertook additional property projects in Central Malaysia during the nine months ended 28 February 2017. Our sales of precast concrete junction boxes in Southern Malaysia decreased by approximately RM1.1 million, from approximately RM8.3 million for the nine months ended 29 February 2016 to approximately RM7.2 million for the nine months ended 28 February 2017, which was mainly attributable to the decrease in revenue of approximately RM0.7 million generated from Sun-Jaya M&E Sdn. Bhd., our fifth largest customer for FY2016, who substantially completed public infrastructure projects in Southern Malaysia during the nine months ended 28 February 2017.

Our revenue generated from trading of junction box accessories and pipes increased by approximately 14.6% from approximately RM2.8 million for the nine months ended 29 February 2016 to approximately RM3.3 million for the nine months ended 28 February 2017, which was mainly attributed to the increase in the sales of scrap metals.

Cost of sales

Our total cost of sales decreased by approximately RM0.8 million, or 4.5%, from approximately RM17.0 million for the nine months ended 29 February 2016 to approximately RM16.3 million for the nine months ended 28 February 2017. The decrease in cost of sales was mainly due to the decrease in cost of raw materials and trading products.

Our cost of raw materials and trading products decreased by approximately RM0.9 million, or 6.3%, from approximately RM13.4 million for the nine months ended 29 February 2016 to approximately RM12.5 million for the nine months ended 28 February 2017, which was mainly attributable to (i) the decrease in sale of precast concrete junction boxes for the nine months ended 28 February 2017; and (ii) the decrease in average unit price of ready-mix concrete by approximately RM28.2 per m^3, or 13.6%, resulting from a relatively lower price of ready-mix concrete offered by our new suppliers during the nine months ended 28 February 2017.

Our direct labour costs of approximately RM1.0 million and RM1.0 million, respectively and manufacturing overheads of approximately RM2.6 million and RM2.6 million, respectively, remained stable for the nine months ended 29 February 2016 and the nine months ended 28 February 2017.

Gross profit and gross profit margin

Our gross profit increased by approximately RM0.9 million, or 12.8%, from approximately RM7.3 million for the nine months ended 29 February 2016 to approximately RM8.3 million for the nine months ended 28 February 2017. The increase in our gross profit was mainly due to the decrease in cost of manufacturing and sale of precast concrete junction boxes from approximately RM14.2 million for the nine months ended 29 February 2016 to approximately RM13.2 million for the nine months ended 28 February 2017. Such decrease was mainly due to the decrease in average unit price of ready-mix concrete by approximately 13.6%, resulting from a relatively lower price of ready-mix concrete offered by our new suppliers during the nine months ended 28 February 2017. As a result, our gross profit margin of manufacturing and sale of precast concrete junction boxes increased from approximately 33.2% for the nine months ended 29 February 2016 to approximately 37.1% for the nine months ended 28 February 2017, while our overall gross profit margin increased from approximately 30.1% for the nine months ended 29 February 2016 to approximately 33.7% for the nine months ended 28 February 2017.

Other income

Our other income decreased from approximately RM142,000 for the nine months ended 29 February 2016 to approximately RM100,000 for the nine months ended 28 February 2017. Such decrease was mainly due to combined effects of (i) the increase in bank interest income of approximately RM19,000 for the nine months ended 28 February 2017 resulting from the increase in our bank balances, including short-term bank deposits pledged with banks, from approximately RM3.7 million as at 29 February 2016 to approximately RM10.1 million as at 28 February 2017; and (ii) the reversal of accrual charges on software licence fee of approximately RM67,000 for the nine months ended 29 February 2016, while no such reversal was made for the nine months ended 28 February 2017.

Administrative expenses

Our administrative expenses increased by approximately RM0.7 million, or 53.0%, from approximately RM1.3 million for the nine months ended 29 February 2016 to approximately RM2.0 million for the nine months ended 28 February 2017. Such increase was mainly due to the increase in our staff costs (including salaries, welfare and other benefits for administrative and financial staff) of approximately RM0.7 million for the nine months ended 28 February 2017 as a result of the increase in headcount of our administrative and finance department from 11 as at 29 February 2016 to 17 as at 28 February 2017.

Listing expenses

We incurred Listing expenses of nil and approximately RM4.3 million (equivalent to approximately HK$7.8 million) for the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively.

Selling and distribution expenses

Our selling and distribution expenses slightly increased by approximately RM88,000, or 8.8%, from approximately RM1.0 million for the nine months ended 29 February 2016 to approximately RM1.1 million for the nine months ended 28 February 2017. The increase was primarily attributable to the increase in salaries and commission paid to our sales and marketing staff.

Finance costs

Our finance costs consisted of interest expenses for bank borrowings and finance leases, and amounted to approximately RM54,000 and RM50,000 for the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively.

Taxation

Income tax expenses amounted to approximately RM1.2 million and RM1.3 million for the nine months ended 29 February 2016 and the nine months ended 28 February 2017 respectively. The effective tax rates for the nine months ended 29 February 2016 and the nine months ended 28 February 2017 were approximately 23.3% and 141.6% respectively. We incurred Listing expenses of approximately RM4.3 million (equivalent to approximately HK$7.8 million) for the nine months ended 28 February 2017, which was non-deductible in Malaysia for tax purpose and resulted in significantly higher effective tax rate of approximately 141.6% for the nine months ended 28 February 2017 as compared to that for the nine months ended 29 February 2016.

Loss for the period

As a result of the effects of the above factors, we recorded loss of approximately RM0.4 million for the nine months ended 28 February 2017. Our net profit margin was approximately 16.1% for the nine months ended 29 February 2016. As our Group was in a loss-making position for the nine months ended 28 February 2017, our net profit margin was not applicable for the nine months ended 28 February 2017. The loss recorded for the nine months ended 28 February 2017 was mainly attributable to (i) the increase in administrative expenses as a result of the increase in our staff costs; (ii) the incurrence of Listing expenses; and (iii) the increase in income tax expenses.

LIQUIDITY AND CAPITAL RESOURCES

Our Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the Track Record Period. Our Group's principal uses of cash have been, and are expected to continue to be, operational costs and investing activities. Upon Listing, our sources of funds will be a combination of internally generated funds, bank borrowings and net proceeds from the Share Offer. As at the Latest Practicable Date, we had not experienced any difficulty in raising funds by bank borrowings and we had not experienced any liquidity problems in settling our payables in the normal course of business and repaying our bank borrowings and finance leases obligation when they fall due.

Cash flows of our Group

The table below sets out a summary of our consolidated statements of cash flows for the periods indicated:

	Year ended 31 May		Nine months ended	
			29 February	28 February
	2015	2016	2016	2017
	RM'000	*RM'000*	*RM'000*	*RM'000*
			(unaudited)	
Net cash from (used in) operating activities	2,788	1,980	1,133	(1,842)[(Note)]
Net cash (used in) from investing activities	(181)	(222)	(34)	763
Net cash (used in) from financing activities	(2,031)	(329)	(433)	6,957
Net increase in cash and cash equivalents	576	1,429	666	5,878
Cash and cash equivalents at beginning of the year/period	1,176	1,752	1,752	3,181
Effects of exchange rate changes on the balance of cash held in foreign currency	–	–	–	12
Cash and cash equivalents at end of the year/period	1,752	3,181	2,418	9,071

Cash flow from operating activities

We derived our cash inflows from operations principally from the receipts in respect of the sales of our products. Our cash outflows from operations were principally payments for purchases of raw materials and products, selling and distribution expenses, administrative expenses and other operating expenses.

Note: The negative cash flows from operating activities for the nine months ended 28 February 2017 was mainly due to cash outflows as a result of the Listing expenses incurred for the nine months ended 28 February 2017 and the prepayment of the Listing expenses.

For the nine months ended 28 February 2017, we had net cash used in operating activities of approximately RM1.8 million, primarily due to profit before taxation of approximately RM0.9 million, adjusted for (i) depreciation of property, plant and equipment of approximately RM307,000; (ii) cash outflows for decrease in payables and accrued charges of approximately RM1.1 million; (iii) cash outflows for increase in receivables, deposits, and prepayments of approximately RM0.7 million as a result the prepayment of Listing expenses; and (iv) cash outflows for the income tax paid of approximately RM1.3 million.

For the nine months ended 29 February 2016, we had net cash generated from operating activities of approximately RM1.1 million, primarily as a result of profit before taxation of approximately RM5.1 million, adjusted for (i) depreciation of property, plant and equipment of approximately RM243,000; (ii) cash inflows for increase in payables and accrued charges of approximately RM0.4 million; (iii) cash outflows for increase in receivables, deposits, and prepayments of approximately RM2.9 million; and (iv) cash outflows for the income tax paid of approximately RM1.6 million.

For FY2016, we had net cash generated from operating activities of approximately RM2.0 million, primarily as a result of profit before taxation of approximately RM6.6 million, adjusted for (i) depreciation of property, plant and equipment of approximately RM325,000; (ii) allowance for doubtful debt of approximately RM0.2 million; (iii) cash inflows for increase in payables and accrued charges of approximately RM0.4 million; (iv) cash outflows for increase in receivables, deposits, and prepayments of approximately RM3.0 million; and (v) cash outflows for the income tax paid of approximately RM2.2 million.

For FY2015, we had net cash generated from operating activities of approximately RM2.8 million, primarily as a result of profit before taxation of approximately RM5.1 million, adjusted for (i) depreciation of property, plant and equipment of approximately RM322,000; (ii) cash inflows for increase in payables and accrued charges of approximately RM1.7 million; (iii) cash outflows for increase in receivables, deposits, and prepayments of approximately RM3.3 million; and (iv) cash outflows for the income tax paid of approximately RM0.7 million.

Cash flow from investing activities

For the nine months ended 28 February 2017, we had net cash generated from investing activities of approximately RM0.8 million, which was mainly attributable to cash inflows for the disposal of unit trust funds, which were classified as financial assets at fair value through profit or loss, of approximately RM0.8 million.

For the nine months ended 29 February 2016, we had net cash used in investing activities of approximately RM34,000, which was mainly attributable to (i) cash inflows for the disposal of unlisted investment, which was classified as available-for-sale investment, of approximately RM0.1 million; (ii) cash inflows for the decrease in amounts owing from related parties of approximately RM60,000; and (iii) cash outflows for the purchase of property, plant and equipment of approximately RM0.3 million.

For FY2016, we had net cash used in investing activities of approximately RM0.2 million, which was mainly attributable to (i) cash inflows for the disposal of unlisted investment, which was classified as available-for-sale investment, of approximately RM0.1 million; (ii) cash outflows for the purchase of property, plant and equipment of approximately RM0.3 million; and (iii) cash outflows for the net increase in amount owing from our Director, Mr. Loh, of approximately RM0.1 million.

For FY2015, we had net cash used in investing activities of approximately RM0.2 million, which was mainly attributable to (i) the net cash outflows for the purchase of unit trust funds, which were classified as financial assets at fair value through profit or loss, of approximately RM0.1 million; and (ii) the cash outflows for the increase in amount owing from our Director, Mr. Loh, of approximately RM50,000.

Cash flow from financing activities

For the nine months ended 28 February 2017, we had net cash generated from financing activities of approximately RM7.0 million, which was mainly attributable to (i) cash inflows attributed to the investment of approximately RM8.6 million from pre-IPO investor; (ii) cash inflows for new bank borrowings raised of approximately RM0.7 million; (iii) cash outflows for the dividend paid of approximately RM1.1 million; and (iv) cash outflows for the repayment of bank borrowings of approximately RM1.3 million.

For the nine months ended 29 February 2016, we had net cash used in financing activities of approximately RM0.4 million, which was mainly attributable to (i) cash inflows for new bank borrowings raised of approximately RM0.9 million; (ii) cash outflows for the repayment of bank borrowings of approximately RM1.1 million; and (iii) cash outflows for the repayment of finance lease of approximately RM0.1 million.

For FY2016, we had net cash used in financing activities of approximately RM0.3 million, which was mainly attributable to the cash outflows for the repayment of finance lease of approximately RM0.3 million.

For FY2015, we had net cash used in financing activities of approximately RM2.0 million, which was mainly attributable to (i) cash outflows for the dividend paid of approximately RM0.9 million; (ii) cash outflows for the repayment of finance lease of approximately RM0.4 million; and (iii) cash outflows for the increase in fixed deposit pledged of approximately RM0.7 million.

NET CURRENT ASSETS

The following table sets out the breakdown of our current assets, current liabilities, and net current assets as at 31 May 2015, 31 May 2016, 28 February 2017 and 31 May 2017, being the latest practicable date for determining our Group's indebtedness:

	As at 31 May		As at 28 February	As at 31 May
	2015	2016	2017	2017
	RM'000	*RM'000*	*RM'000*	*RM'000* (unaudited)
Current assets				
Financial assets at fair value through profit or loss	823	835	–	–
Inventories	782	1,049	1,011	651
Receivables, deposits and prepayments	8,730	11,599	12,242	15,832
Amount owing from a director	50	177	–	–
Amounts owing from shareholders	–	–	15	16
Amount owing from related parties	60	–	–	–
Tax recoverable	–	–	99	171
Short term bank deposits pledged with banks	1,319	1,349	1,053	1,059
Cash on hand and at bank	1,752	3,181	9,071	7,249
Total current assets	13,516	18,190	23,491	24,978
Current liabilities				
Payable and accrued charges	5,715	6,110	4,972	8,522
Amount owing to a Director	–	–	590	570
Finance leases	259	93	215	172
Bank borrowings	419	599	–	–
Tax payable	825	286	358	335
Dividend payable	–	2,000	930	–
Total current liabilities	7,218	9,088	7,065	9,599
Net current assets	6,298	9,102	16,426	15,379

As at 31 May 2017, being the latest practicable date for determining our Group's indebtedness, our unaudited net current assets were decreased by approximately RM1.0 million, or 6.4%, from approximately RM16.4 million as at 28 February 2017 to approximately RM15.4 million as at 31 May 2017, which was primarily due to (i) an increase in payable and accrued charges of approximately RM3.6 million; (ii) a decrease in cash on hand and at bank of approximately RM1.8 million, and was partially offset by (i) an increase in receivables, deposits and prepayments of approximately RM3.6 million; and (ii) a decrease in dividend payable of approximately RM0.9 million.

As at 28 February 2017, our net current assets increased by approximately RM7.3 million, or 80.5%, from approximately RM9.1 million as at 31 May 2016 to approximately RM16.4 million as at 28 February 2017, which was primarily due to (i) an increase in receivables, deposits and prepayments of approximately RM0.6 million; (ii) an increase in cash on hand and at bank of approximately RM5.9 million; and (iii) a decrease in dividend payable of approximately RM1.1 million.

As at 31 May 2016, our net current assets increased by approximately RM2.8 million, or 44.5%, from approximately RM6.3 million as at 31 May 2015 to approximately RM9.1 million as at 31 May 2016, which was primarily due to (i) an increase in inventories of approximately RM0.3 million; (ii) an increase in receivables, deposits and prepayments of approximately RM2.9 million; (iii) an increase in cash on hand and at bank of approximately RM1.4 million; and (iv) an increase in dividend payable of approximately RM2.0 million.

As at 31 May 2015, our net current assets amounted to approximately RM6.3 million, in which our current assets mainly consisted of (i) receivables, deposits and repayments of approximately RM8.7 million; (ii) short term bank deposits pledged with banks of approximately RM1.3 million; and (iii) cash on hand and at bank of approximately RM1.8 million; and our current liabilities mainly consisted of (i) payable and accrued charges of approximately RM5.7 million; (ii) bank borrowings of approximately RM0.4 million; and (iii) finance leases of approximately RM0.3 million.

CAPITAL EXPENDITURES AND COMMITMENT

Our capital expenditures were approximately RM17,000, RM413,000 and RM1.1 million for FY2015, FY2016 and the nine months ended 28 February 2017, respectively. Our capital expenditures were used primarily for addition of (i) plant and machineries; (ii) vehicles; and (iii) office equipment. During the Track Record Period, we financed our capital expenditures primarily with cash generated from operations and by way of finance leases.

Although our Group had used finance leases to fund part of the existing machineries, our Group prefers to fund the planned capital expenditure by equity financing instead of finance leases after considering that (i) the ownership and title of the assets would pass to our Group immediately upon completion of the acquisition whereas the title of the assets under the lease would not pass to our Group until our Group had repaid all the outstanding amount due from the finance lease; and (ii) the interests under the finance lease are generally higher. Our Group currently plans to use approximately RM7.7 million (equivalent to approximately HK$13.9 million) of the net proceeds from the Share Offer (based on the mid-point of the indicative Offer Price range) to purchase additional machineries and equipment in order to expand our production capacity. As such, equity financing will allow our Group to save interest expenses under finance lease. The interest rates on our Group's finance lease ranged from 6.25% to 7.10% per annum for FY2016 with an average lease term of four years. For details, please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus.

The table below sets out our capital expenditures for the periods indicated:

	Year ended 31 May		Nine months ended 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Additions to:			
Property, plant and equipment	17	413	1,123
	17	413	1,123

The table below set out our capital commitments in respect of the acquisition of property, plant and equipment:

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Approved and contracted for	–	–	270

CONTRACTUAL COMMITMENTS

Operating lease commitments

(a) Our Group as lessee

We leased certain of production plants as lessee under operating lease arrangements. The table below sets out the aggregate future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Within one year	30	30	30

Operating lease payments represent rentals payable by our Group for a piece of land. The lease is negotiated for a team of three years and is cancellable on giving a notice of three months. The rental is fixed for the three years.

(b) Our Group as lessor

As at the dates indicated, our Group had contracted with a tenant for the following future minimum lease payments:

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Within one year	16	22	7
In the second to fifth years, inclusive	–	2	–
	16	24	7

ANALYSIS OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment increased by approximately RM88,000, or 4.0%, from approximately RM2.2 million as at 31 May 2015 to approximately RM2.3 million as at 31 May 2016, primarily due to (i) the addition of vehicles and construction of crane facilities, which in aggregate amounted to approximately RM0.3 million; and (ii) depreciation of approximately RM0.3 million.

Our property, plant and equipment increased by approximately RM0.7 million, or 31.7%, from approximately RM2.3 million as at 31 May 2016 to approximately RM3.0 million as at 28 February 2017, primarily due to (i) the addition of property, plant and equipment (including plant and machinery, motor vehicles and mould), which in aggregate amounted to approximately RM1.1 million; and (ii) depreciation of approximately RM0.3 million.

Investment property

Our investment property, comprising of a freehold land and building, is situated in Malaysia and depreciated on a straight-line basis over 50 years. The carrying amount of our investment property was approximately RM421,000, RM411,000 and RM403,000 as at 31 May 2015, 31 May 2016 and 28 February 2017, respectively and our rental income derived from our investment property amounted to approximately RM24,000, RM25,000 and RM16,000 respectively.

Inventories

Our inventories consist of raw materials and consumables, and finished goods. Our Group closely monitors the inventory level of our finished goods to minimise our overall inventory level. Our factory manager will base on our customers' past order records on precast concrete junction boxes to determine the minimum stock level of our products. The value of our inventories accounted for approximately 5.8%, 5.7% and 4.3% of our total current assets as at 31 May 2015, 31 May 2016 and 28 February 2017, respectively.

The table below sets out a summary of our inventory balances as at the dates indicated:

	As at 31 May		**As at 28 February**
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Raw materials and consumables	392	600	497
Finished goods	390	449	514
	782	1,049	1,011

Our inventory increased by approximately RM0.3 million, or 34.1%, from approximately RM0.8 million as at 31 May 2015 to approximately RM1.0 million as at 31 May 2016, which was due to our revenue growth for FY2016. Our inventories remained stable at approximately RM1.0 million as at 28 February 2017.

The table below sets out our inventory turnover days for the periods indicated:

	Year ended 31 May		Nine months ended 28 February
	2015	**2016**	**2017**
Inventory turnover days*(Note)*	14	14	17

Note: Average inventory turnover days is equal to the average inventory divided by cost of sales and multiplied by 365 days for FY2015 and FY2016, and multiplied by 273 days for the nine months ended 28 February 2017. Average inventory equals inventory at the beginning of the year/period plus inventory at the end of the year/period and divided by two.

Our inventory turnover days remained relatively stable at approximately 14 days for FY2015 and FY2016 and slightly increased to approximately 17 days for the nine months ended 28 February 2017. Throughout the year, our Group reviews the stocktaking records and performs inventory ageing analysis to ensure that our inventories are properly used and that there is no unnecessary accumulation of aged inventories. We aim to continue to actively manage our inventory turnover days in the future.

Our inventories are stated at the lower of cost and net realisable value. Our costs of inventories are determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Approximately RM993,000, or 98.2%, of the inventory as at 28 February 2017 had subsequently been sold or utilised as at the Latest Practicable Date. During the Track Record Period, we did not record provision for impairment of inventories. Our Directors are of the view that our inventories are generally not subject to high risk of obsolescence because of the nature of our raw material and products.

Receivables, deposits and prepayment

The table below sets out our trade receivables as at the dates indicated:

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Trade receivables	8,425	11,630	10,409
Less: Allowance for doubtful debts	–	(176)	(176)
Trade receivables – net	8,425	11,454	10,233

Our trade receivables represent receivables from our customers. We generally grant our customers a credit period ranging from 30 to 120 days from the first day of the succeeding month of the invoice date.

Our trade receivables increased by approximately RM3.0 million, or 36.0%, from approximately RM8.4 million as at 31 May 2015 to approximately RM11.6 million as at 31 May 2016, which was generally in line with our revenue growth for FY2016. Our trade receivables decreased to approximately RM10.4 million as at 28 February 2017.

The table below sets out our trade receivables turnover days for the periods indicated:

	Year ended 31 May		Nine months ended 28 February
	2015	**2016**	**2017**
Trade receivables turnover days*(Note)*	107	109	121

Note: Average trade receivables turnover days is equal to the average trade receivables (less allowance for doubtful debt) divided by sales and multiplied by 365 days for FY2015 and FY2016, and multiplied by 273 days for the nine months ended 28 February 2017. Average trade receivables equals trade receivables at the beginning of the year/period plus trade receivables at the end of the year/period and divided by two.

Our trade receivables turnover days were approximately 107 days, 109 days and 121 days for FY2015, FY2016 and the nine months ended 28 February 2017 respectively. Our trade receivables turnover days increased from approximately 109 days for FY2016 to approximately 121 days for the nine months ended 28 February 2017, which was mainly because some of our major customers took a longer time to settle the amounts due to us.

Our Directors determine specific provision for doubtful debts on a case-by-case basis. During the Track Record Period, we did not experience any difficulty in collecting our trade receivables which caused a significant adverse impact on our business operation. In the event that we notice any events or changes in circumstances which indicate the balances may not be collectible such as the customer has any financial or liquidity problem which may result in difficulty in settling the outstanding payment, relevant provision of impairment of trade receivables would be made. During the Track Record Period, an allowance for doubtful debt of nil, approximately RM0.2 million and nil was made respectively.

The table below sets out the ageing analysis of our trade receivables as at the dates indicated, based on the invoice date and net of allowance for doubtful debts:

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
1-30 days	2,178	1,988	3,479
31-60 days	1,915	2,741	1,709
61-90 days	2,511	2,666	1,523
91-120 days	728	1,365	1,102
More than 120 days	1,093	2,694	2,420
	8,425	11,454	10,233

The table below sets out the ageing analysis of our trade receivables that were past due but not impaired as at the dates indicated:

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Overdue:			
31-60 days	–	–	18
61-90 days	2,511	2,556	189
91-120 days	728	1,334	1,027
More than 120 days	1,093	2,694	2,420
	4,332	6,584	3,654

As at 31 May 2015, 31 May 2016 and 28 February 2017, our trade receivables of approximately RM4.3 million, RM6.6 million and RM3.7 million were past due but not impaired respectively. In order to maintain a long-term business relationship with our customers, we may provide some flexibility for certain of our customers for the settlement of trade receivables after assessing various factors, including the length of business relationship, relevant customer's size and background, credit history, financial condition and past reputation, on a case-by-case basis. Approximately RM6.9 million, or 67.2%, of the trade receivables as at 28 February 2017 had subsequently been settled up to the Latest Practicable Date. Trade receivables that were past due but not impaired relate to a number of our customers who have good payment records with our Group. Based on our past experience, our Directors believe that no allowance for doubtful debts is necessary for these balances as there has not been any sign of significant adverse change in credit strength of our customers.

The movement in our allowance for doubtful debts is as follows:

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
At beginning of the year/period	–	–	176
Impairment loss recognised	–	176	–
At end of the year/period	–	176	176

Included in the above allowance for doubtful debts is a provision for individually impaired trade receivables with an aggregate balance of nil, approximately RM0.2 million and RM0.2 million as at 31 May 2015 and 2016 and 28 February 2017 respectively. The impaired trade receivables for the year ended 31 May 2016 were related to four customers. Our Directors confirmed that follow-up actions were taken such as making phone calls and visiting the customers by our Directors or respective staff, and thus they are of the view that these overdue balances are normally not recoverable. In addition, our Directors considered that the impaired amount is not material which only represents approximately 0.5% of our revenue for FY2016.

The table below sets out our deposits, prepayment and other receivables as at the dates indicated:

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Deposits, prepayment and deferred Listing expenses	109	93	1,976
Other receivables	196	52	33
	305	145	2,009

Our deposits, prepayment and deferred Listing expenses amounted to approximately RM109,000, RM93,000 and RM2.0 million as at 31 May 2015, 31 May 2016 and 28 February 2017 respectively. Our deposits, prepayment and deferred Listing expenses as at 28 February 2017 increased to approximately RM2.0 million which was mainly due to the prepayment for Listing expenses of approximately RM1.6 million.

Other receivables amounted to approximately RM196,000, RM52,000 and RM33,000 as at 31 May 2015, 31 May 2016 and 28 February 2017 respectively. Our other receivables as at 31 May 2015 mainly included a rebate of approximately RM121,000 due from our suppliers for the purchase of raw materials.

Amount(s) owing from a Director/shareholders/related parties

	As at 31 May		**As at 28 February**
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Amount owing from Mr. Loh	50	177	–
Amounts owing from shareholders	–	–	15
Amounts owing from related parties	60	–	–

As at 31 May 2015 and 31 May 2016, the amounts owing from Mr. Loh amounted to approximately RM50,000 and RM0.2 million respectively, which represented advance to Mr. Loh for his personal use. The amounts were non-trade nature, unsecured, interest-free and repayable on demand.

As at 28 February 2017, the amounts owing from shareholders were approximately RM15,000, which was non-trade nature, unsecured, interest-free and repayable on demand. The amounts owing from shareholders will be settled before Listing.

As at 31 May 2015, the amounts owing from related parties, in which Mr. Loh has significant influence, arose from miscellaneous payment made on behalf. The amounts were non-trade nature, unsecured, interest-free and repayable on demand.

Short term bank deposits pledged with banks

Our short term bank deposits with an original maturity of three months or less carry interest at prevailing market rate of 3.15%, 3.30% and 3.15% per annum as at 31 May 2015, 31 May 2016 and 28 February 2017, respectively. The short term bank deposits are pledged to secure general banking facilities granted to our Group. Further details on our bank borrowings are set out in the paragraph headed "Indebtedness – Bank borrowings" in this section.

Payables and accrued charges

	As at 31 May		**As at 28 February**
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Trade payables	4,710	4,810	3,810

As at 31 May 2015, 31 May 2016 and 28 February 2017, our trade payables were approximately RM4.7 million, RM4.8 million and RM3.8 million respectively. Our trade payables mainly relate to the purchase of raw materials and products from our suppliers. Our suppliers generally granted us credit terms of approximately 30 to 75 days during the Track Record Period.

The table below sets out our trade payables turnover days for the periods indicated:

	Year ended 31 May		Nine months ended 28 February
	2015	**2016**	**2017**
Trade payables turnover days(Note)	96	74	72

Note: Average trade payables turnover days is equal to the average trade payables divided by cost of sales and multiplied by 365 days for FY2015 and FY2016, and multiplied by 273 days for the nine months ended 28 February 2017. Average trade payables equals trade payables at the beginning of the year/period plus trade payables at the end of the year/period and divided by two.

Our trade payables turnover days decreased from approximately 96 days for FY2015 to approximately 74 days for FY2016, primarily as a result of the early settlement of our trade payable aiming to further enhancing our relationship with suppliers. Our trade payables turnover days slightly decreased to approximately 72 days for the nine months ended 28 February 2017.

The table below sets out the ageing analysis of our trade payables as at the dates indicated, based on the invoice date:

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
1-30 days	1,416	1,451	1,156
31-60 days	1,264	1,811	1,107
61-90 days	1,710	1,278	1,089
91-120 days	320	244	182
Over 120 days	–	26	276
	4,710	4,810	3,810

Approximately RM3.6 million, or 94.7%, of our trade payables as at 28 February 2017 had been subsequently settled up to the Latest Practicable Date.

The table below sets out the breakdown of our other payables and accrued charges as at the dates indicated:

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Other payables	726	923	775
Accrued charges	275	163	276
Tenant's deposit	4	4	4
Advance from customers	–	210	107
	1,005	1,300	1,162

Other payables mainly include freight charges and maintenance expenses of machineries. Our other payables increased by approximately RM197,000, or 27.0%, approximately from RM726,000 as at 31 May 2015 to approximately RM923,000 as at 31 May 2016, primarily due to the increase in freight charges incurred during FY2016 of our Group. Our other payables decreased to approximately RM775,000 due to the settlement of freight charges during the nine months ended 28 February 2017.

Accrued charges mainly represented (i) accruals for staff salaries and allowances; (ii) auditors' remuneration; and (iii) accrual for employment provident fund. Accrual charges decreased from approximately RM0.3 million as at 31 May 2015 to approximately RM0.2 million as at 31 May 2016 due to the timely effect of the settlement of accrual expenses before the respective closing periods.

Advance from customers represents the prepayments for their purchase orders from our Group. Advance from customers was nil, approximately RM210,000 and RM107,000 as at 31 May 2015, 31 May 2016 and 28 February 2017 respectively.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not default in payment of any trade and non-trade payables.

WORKING CAPITAL

Taking into consideration the financial resources available to us including internally generated funds, the available banking facilities and the estimated net proceeds from the Share Offer, our Directors are of the view and the Sole Sponsor concurs, after due and careful inquiry, that our Group has sufficient working capital for its present requirement, that is for at least the next 12 months commencing from the date of this prospectus.

Our Directors confirm that there had not been any material defaults in payment of trade and other payables and bank borrowings or any material covenants relating to our Group's outstanding borrowings during the Track Record Period.

KEY FINANCIAL RATIOS

The table below sets out a summary of our key financial ratios as at the dates or for the periods indicated:

	As at/For the year ended 31 May		As at/ For the nine months ended 28 February
	2015	2016	2017
Current ratio*(Note 1)*	1.9 times	2.0 times	3.3 times
Quick ratio*(Note 2)*	1.8 times	1.9 times	3.2 times
Gearing ratio*(Note 3)*	10.4%	6.7%	3.5%
Debt to equity ratio*(Note 4 and 5)*	N/A	N/A	N/A
Interest coverage*(Note 6)*	53.1 times	88.5 times	19.6 times
Return on total assets*(Note 7)*	23.7%	23.5%	N/A
Return on equity*(Note 8)*	44.3%	42.3%	N/A
Gross profit margin*(Note 9)*	32.3%	29.8%	33.7%
Net profit margin*(Note 10)*	16.6%	14.7%	N/A

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.

2. Quick ratio is calculated based on the total current assets less inventories divided by the total current liabilities as at the respective year/period end.

3. Gearing ratio is calculated based on the total interest-bearing loans divided by the total equity as at the respective year/period end and multiplied by 100%. Total interest-bearing loans include bank borrowings and finance leases.

4. Debt to equity ratio is calculated based on the total interest-bearing loans less cash on hand and at bank divided by the total equity as at the respective year/period end and multiplied by 100%. Total interest-bearing loans include bank borrowings and finance leases.

5. Our Group had no net debt as at 31 May 2015, 31 May 2016 and 28 February 2017.

6. Interest coverage is calculated by the profit before interest and taxation divided by summation of interest expense for each reporting period.

7. Return on total assets is calculated by profit after taxation for the year/period divided by the total assets as at the respective year/period end and multiplied by 100%.

8. Return on equity is calculated by profit after taxation for the year/period divided by the total equity as at the respective year/period end and multiplied by 100%.

9. Gross profit margin is calculated based on the gross profit divided by the revenue.

10. Net profit margin is calculated based on the profit and total comprehensive income for the year/period divided by the revenue.

For detailed analysis of our Group's revenue, gross profit, gross profit margin, net profit and net profit margin, please refer to the section headed "Financial Information – Period-to-period comparison of results of operations" of this prospectus.

Current ratio

Our current ratio remained relatively stable and was approximately 1.9 times and 2.0 times as at 31 May 2015 and 31 May 2016, respectively. Our current ratio increased to approximately 3.3 times as at 28 February 2017. The increase was due to the combined effects of (i) the increase in current assets mainly attributable to the increase in cash on hand and at bank from approximately RM3.2 million as at 31 May 2016 to approximately RM9.1 million as at 28 February 2017 as a result of cash inflows attributed to the investment of approximately RM8.6 million from pre-IPO investor; and (ii) the decrease in current liabilities mainly attributable to the decrease in bank borrowings and dividend payable as at 28 February 2017. Our Group has been striving to maintain adequate liquidity and working capital position to cope with our operational needs for the production of our precast concrete junction boxes, and we believe that the current ratio of our Group has been maintained at a healthy level during the Track Record Period.

Quick ratio

Our quick ratio remained relatively stable and was approximately 1.8 times and 1.9 times as at 31 May 2015 and 31 May 2016, respectively. Our quick ratio increased to approximately 3.2 times as at 28 February 2017. The increase was due to the combined effects of (i) the increase in current assets mainly attributable to the increase in cash on hand and at bank from approximately RM3.2 million as at 31 May 2016 to approximately RM9.1 million as a result of cash inflows attributed to the investment of approximately RM8.6 million from pre-IPO investor; and (ii) the decrease in current liabilities mainly attributable to the decrease in bank borrowings and dividend payable as at 28 February 2017. During the Track Record Period, as our Group strived to maintain minimal level of inventory for production materials and finished goods, our quick ratio as at 31 May 2015 and 2016 and 28 February 2017 were close to our current ratio for the corresponding periods.

Gearing ratio

Our gearing ratio was approximately 10.4%, 6.7% and 3.5% as at 31 May 2015, 31 May 2016 and 28 February 2017 respectively. Our gearing ratio decreased from approximately 10.4% as at 31 May 2015 to approximately 6.7% as at 31 May 2016 mainly due to the combined effects of (i) the increase in our bank borrowings from approximately RM542,000 as at 31 May 2015 to approximately RM615,000 as at 31 May 2016; (ii) the decrease in our finance lease from approximately RM359,000 as at 31 May 2015 to approximately RM162,000 as at 31 May 2016; and (iii) the increase in total equity of our Group accumulated from the retained earnings of approximately RM2.9 million for FY2016. Our gearing ratio further decreased to approximately 3.5% as at 28 February 2017 mainly due to the decrease in our bank borrowings from approximately RM615,000 as at 31 May 2016 to nil as at 28 February 2017.

Debt to equity ratio

Our debt to equity ratio was nil, nil and nil as at 31 May 2015, 31 May 2016 and 28 February 2017 respectively as our Group had no net debt and was in net cash positions as at the respective year/period end.

Interest coverage

Our interest coverage was approximately 53.1 times, 88.5 times and 19.6 times for FY2015, FY2016 and the nine months ended 28 February 2017 respectively. Our interest coverage increased from approximately 53.1 times for FY2015 to approximately 88.5 times for FY2016 due to the significant increase in our operating profit for FY2016. Our interest coverage decreased to approximately 19.6 times for the nine months ended 28 February 2017 due to the Listing expenses of approximately RM4.3 million (equivalent to approximately HK$7.8 million) incurred for the nine months ended 28 February 2017.

Return on total assets

Our return on total assets was approximately 23.7% and 23.5% for FY2015 and FY2016 respectively. Our return on total assets remained stable with a slight decrease from approximately 23.7% for FY2015 to approximately 23.5% for FY2016. Our return on total assets was not applicable for the nine months ended 28 February 2017 due to the loss-making position of our Group for the nine months ended 28 February 2017. The loss for the nine months ended 28 February 2017 was mainly attributable to the Listing expenses of approximately RM4.3 million (equivalent to approximately HK$7.8 million) incurred for the nine months ended 28 February 2017.

Return on equity

Our return on equity was approximately 44.3% and 42.3% for FY2015 and FY2016 respectively. Our return on equity remained stable with a slight decrease from approximately 44.3% for FY2015 to approximately 42.3% for FY2016. Our return on equity was not applicable for the nine months ended 28 February 2017 due to the loss-making position of our Group for the nine months ended 28 February 2017. The loss for the nine months ended 28 February 2017 was mainly attributable to the Listing expenses of approximately RM4.3 million (equivalent to approximately HK$7.8 million) incurred for the nine months ended 28 February 2017.

INDEBTEDNESS

Bank borrowings

During the Track Record Period, our Group's bank borrowings included term loan, trust receipt and bank overdrafts. Our bank borrowings were mainly utilised to finance the working capital of our Group. All our bank borrowings were denominated in RM. The following table sets out a breakdown of our bank borrowings by loan type as at each reporting date:

	As at 31 May		As at 28 February	As at 31 May
	2015	**2016**	**2017**	**2017**
	RM'000	*RM'000*	*RM'000*	*RM'000*
				(Unaudited)
Current				
– Term loan	107	115	–	–
– Trust receipt	250	285	–	–
– Bank overdrafts	62	199	–	–
Carrying amount of bank borrowings repayable within one year	419	599	–	–
Non-current				
– Term loan	123	16	–	–
	542	615	–	–

Our term loan bears interest rate at Base Lending Rate plus 1.5% per annum as at 31 May 2015 and 31 May 2016.

Our trust receipt loan bears interest rate at Islamic Base Rate plus 1.5% per annum as at 31 May 2015 and 31 May 2016.

Our bank overdraft bears interest rate at Islamic Base Rate plus 1.5% per annum as at 31 May 2015 and 31 May 2016.

As at 31 May 2015, 31 May 2016, 28 February 2017 and 31 May 2017, our bank borrowings and banking facilities were secured by:

(i) Leasehold land and building with carrying amount of RM269,000, RM262,000, RM257,000 and RM254,000 as at 31 May 2015, 31 May 2016, 28 February 2017 and 31 May 2017 respectively;

(ii) Fixed deposit of approximately RM1.3 million, RM1.3 million and RM1.1 million RM1.1 million as at 31 May 2015, 2016, 28 February 2017 and 31 May 2017 respectively;

(iii) Personal guarantee provided by Mr. Loh, an executive Director; and

(iv) Personal guarantee provided by a former director of subsidiaries of our Group. Such guarantee will be released and replaced by corporate guarantee provided by our Group upon Listing.

As at 31 May 2017, being the latest practicable date on which such information available to us, our Group had no outstanding bank borrowings. Save for the above, as at 31 May 2017, our Group had unused banking facilities of approximately RM2.6 million which was secured by items (i) to (iii) as abovementioned.

As at the Latest Practicable Date, the personal guarantee provided by Mr. Loh was in favour of two banks, namely Bank A and Bank B. The personal guarantee provided to Bank A will be released and replaced by a corporate guarantee provided by our Group upon Listing. As at the Latest Practicable Date, Bank B has given favourable indication that the personal guarantee will be released and replaced by a corporate guarantee provided by our Group. However, our Directors are given to understand that an additional time of approximately one month after the Listing is required for Bank B to release the personal guarantee due to the time required for the preparation of the documentation. Thus, the personal guarantee given to Bank B can only be released as soon as practicable after the Listing.

Taking into account (i) the indication by Bank B that the personal guarantee provided by Mr. Loh will be released as soon as practicable after the Listing; and (ii) the bank borrowing from Bank B was nil as at 30 April 2017, our Board considers that our Group is able to operate financially independently from our Controlling Shareholders.

Finance leases

During the Track Record Period, our Group purchased certain vehicles, plant and machineries and office equipment by way of finance leases, sold them to bankers, an equipment leasing company or a technological service provider (the lessors) and they leased back these items to our Group at stipulated monthly rents in a fixed term. The following table sets out a breakdown of our finance leases as at each of the dates indicated:

	As at 31 May		As at 28 February	As at 31 May
	2015	**2016**	**2017**	**2017**
	RM'000	*RM'000*	*RM'000*	*RM'000* *(Unaudited)*
Analysed for reporting purposes as:				
Current liabilities	259	93	215	172
Non-current liabilities	100	69	459	411
	359	162	674	583

The average lease term is three, four and five years as at 31 May 2015, 31 May 2016 and 28 February 2017, respectively. Interest rates on finance leases are fixed at respective contract dates ranging from 4.50% to 7.10%, 6.25% to 7.10% and 4.70% to 7.10% per annum for FY2015, FY2016 and the nine months ended 28 February 2017, respectively. Our finance leases are denominated in RM.

As at 31 May 2017, certain finance leases were secured by the leased property, plant and equipment and the personal guarantee provided by Mr. Loh, an executive Director, and Ms. Loh. As at the Latest Practicable Date, the personal guarantees provided by Mr. Loh and Ms. Loh were in favour of a bank, namely Bank C, and an equipment leasing company. As at the Latest Practicable Date, both Bank C and the equipment leasing company have given favourable indication that the personal guarantees will be released and replaced by a corporate guarantee provided by our Company. However, our Directors are given to understand that an additional time of approximately one month after the Listing is required for Bank C and the equipment leasing company to release the personal guarantees due to the time required for the preparation of the documentation. Thus, the said personal guarantees can only be released as soon as practicable after Listing.

Taking into account (i) the indication by Bank C and the equipment leasing company that the personal guarantees provided by Mr. Loh and Ms. Loh will be released as soon as practicable after the Listing; and (ii) our Group has sufficient cash to fully repay the relevant finance leases, our Board considers that our Group is able to operate financially independently from our Controlling Shareholders.

Amount owing to a Director

The following table sets out our amounts due to a Director as at the dates indicated:

	As at 31 May 2015	2016	As at 28 February 2017	As at 31 May 2017
	RM'000	*RM'000*	*RM'000*	*RM'000* *(Unaudited)*
Amount owing to a Director	–	–	590	570

During the Track Record Period, amount owing to a Director mainly represented amount owing to Mr. Loh in respect of shares acquisition in Target Precast, Target S&M and Target C&L by SK Target Holdings in the course of the Reorganisation. The amount was unguaranteed, unsecured, interest-free and repayable on demand. All amounts due to Director will be settled prior to the Listing.

There were no material restrictive covenants relating to any of our outstanding debts. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not breach any restrictive covenants. During the Track Record Period, we had not experienced difficulties in obtaining bank borrowing and/or overdrafts and finance leases. As at the Latest Practicable Date, our Directors confirm that we had no material external financing plan. Since the Latest Practicable Date and up to the date of this prospectus, there has not been any material adverse change in our indebtedness and contingent liabilities. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise.

PERFORMANCE GUARANTEE AND CONTINGENT LIABILITIES

As at 28 February 2017 and 31 May 2017, our Group has provided a performance guarantee in respect of a project signed with Telekom, our customer, amounting to RM584,000 and RM534,000 respectively for securing the contract. This guarantee will be discharged upon the completion of the project.

As at 31 May 2015, 31 May 2016 and 28 February 2017, we did not have any significant contingent liabilities.

As at 31 May 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this prospectus, save and except disclosed in this prospectus and below, we did not have any material contingent liabilities.

Save as above or as otherwise disclosed herein, we did not have any other outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 May 2017, being the latest practicable date for determining our Group's indebtedness.

Our Directors confirm that there has not been any material adverse change in our Group's indebtedness, capital commitments and contingent liabilities since 31 May 2017, being the latest practicable date for determining our Group's indebtedness, and up to the date of this prospectus.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Further, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

DIVIDENDS

During the Track Record Period, the dividends declared by our Group was approximately RM0.9 million, RM2.0 million and nil respectively. For FY2015, our Group declared dividends in the sums of RM500,000, RM125,000 and RM230,000 on 5 February 2015, 27 May 2015 and 3 June 2015 respectively, which were paid on 18 February 2015, 27 May 2015 and 5 June 2015, respectively. For FY2016, our Group declared dividends in the sums of RM700,000 and RM1,300,000 on 21 September 2015 and 18 May 2016 respectively, which were paid on 23 September 2015 and 20 May 2016, respectively. Save and except for the declaration of the above dividends, as at the Latest Practicable Date, we had no intention to pay dividends prior to the Listing.

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Our Board will consider from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our results of operations;
- our cash flows;
- our financial condition;
- our Shareholders' interests;
- general business conditions and strategies;

- our capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors our Board may deem relevant.

Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Law, and our Articles which also require the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, among other things, results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. Our Board has not adopted any dividend policy for the time being and does not have any pre-determined dividend ratio. Our Board will consider the relevant factors when determining the dividends to be declared if any. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

DISTRIBUTABLE RESERVES

As at 28 February 2017, our Company had no distributable reserves available for distribution to our Shareholders.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our capital management objectives are to ensure our ability to continue as a going concern and to provide an adequate return to shareholders by pricing our services commensurately with the level of risk.

Our Group actively and regularly reviews and manages our capital structure in order to maintain a balance between the higher shareholder 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. Our Group monitors our capital structure on the basis of the gearing ratio.

Financial risk management

Our Group is exposed to credit risk, liquidity risk and interest rate risk in the normal course of business. Further details on our financial risk management policies and practices are set out in the section headed "Accountants' Report – Notes to financial information – Financial instruments – Financial risk management objectives and policies" in Appendix I to this prospectus.

FINANCIAL INSTRUMENTS

During the Track Record Period, we did not enter into any other financial instruments for hedging purposes.

LISTING EXPENSES

For the FY2015 and FY2016, we did not incur any Listing expenses. For the nine months ended 28 February 2017, we incurred Listing expenses of approximately RM4.3 million (equivalent to approximately HK$7.8 million). We expect to incur total Listing expenses of approximately RM11.4 million (equivalent to approximately HK$20.8 million) of which our Group (i) has recognised approximately RM4.3 million (equivalent to approximately HK$7.8 million) in the profit or loss for the nine months ended 28 February 2017; (ii) expects to recognise approximately RM1.7 million (equivalent to approximately HK$3.1 million) in the profit or loss for the three months ended 31 May 2017; (iii) expects to recognise approximately RM1.5 million (equivalent to approximately HK$2.7 million) in the profit or loss for the year ending 31 May 2018; and (iv) expects to recognise approximately RM3.9 million (equivalent to approximately HK$7.2 million) as a deduction in equity directly for the year ending 31 May 2018. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and result of operations for the nine months ended 28 February 2017 and the year ended 31 May 2017 have been, and the year ending 31 May 2018 will be, significantly and adversely affected by the expenses in relation to the Listing.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed "Unaudited Pro Forma Financial Information" in Appendix IIA to this prospectus for details.

LOSS ESTIMATE FOR THE YEAR ENDED 31 MAY 2017

Estimated unaudited consolidated loss attributable to owners of our Company *(Note 1)*	not more than RM1.2 million
Unaudited pro forma estimated loss per Share *(Note 2)*	not more than RM0.2 cents

Notes:

(1) The bases on which the above loss estimate for the year ended 31 May 2017 has been prepared are summarised in Appendix IIB to this prospectus. Our Directors have prepared the estimated consolidated loss attributable to owners of our Company for the year ended 31 May 2017 based on the audited consolidated results of our Group for the nine months ended 28 February 2017 and the unaudited consolidated results based on the management accounts of our Group for the three months ended 31 May 2017.

(2) The calculation of the unaudited pro forma estimated loss per Share is based on the estimated consolidated results for the year ended 31 May 2017 attributable to owners of our Company, assuming that a total of 620,000,000 Shares had been in issued during the entire year. The calculation of the estimated loss per Share does not take into account of any Shares which may be allotted and issued upon the exercise of option that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to the Company's general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances where our Group had been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules and would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

RELATED PARTY TRANSACTION

During the Track Record Period, our Group entered into a related party transaction with Mr. Loh, our Director. For FY2016, Target S&M has disposed of the available-for-sale investment (the "**Investment**") to Mr. Loh for a consideration of RM125,000, which was completed on 25 September 2015 and the payment was settled on 25 November 2015. Taking into account (i) the Investment, which was acquired by a few tranches, had not brought and would not bring any benefit to Target S&M in the near future; (ii) no dividends or income had been generated from the Investment; and (iii) the relative short holding period of the Investment ranging from twelve (12) months to eighteen (18) months and therefore the value of the shares of the Investment would not have fluctuated significantly, our Directors take the view that the consideration of the disposal in the sum of RM125,000, being the same as the aggregate acquisition cost of the Investment of RM125,000, shall be fair and reasonable and should have reflected the fair value of the Investment at the material time. Furthermore, at the time Target S&M acquired or disposed the Investment, Target S&M was still wholly and beneficially owned by Mr. Loh. Hence, given the Investment did not form part of the business or operation of our Group, our Directors take the view that the disposal of the Investment at cost was not only fair and reasonable but also help delineate our Group's core business with its other investments. Further details of the Investment are set out in "Notes to the financial information – Available-for-sale investment" in Appendix I to this prospectus. Our Directors confirm that the related party transaction was conducted on normal commercial terms and they would not distort our track record results or make our historical results not reflective of our future performance.

RECENT DEVELOPMENT

Our Group continues to strengthen our market position in the precast concrete junction box industry in Malaysia. On 23 December 2016, our Group entered into a letter of award, which is legally-binding, with Telekom for the supply of precast concrete telecommunication junction boxes and junction box covers for a period between 1 January 2017 to 31 December 2019. We have already signed the formal agreement on 24 January 2017 pending the return of agreement duly signed by Telekom. To the best knowledge and belief of our Directors after making reasonable enquiries, it is estimated that Telekom will sign and return the agreement in late July 2017. Notwithstanding that, the letter of award had commenced effectively and up to the date hereof, Telekom has placed purchase orders for precast concrete junction boxes with a total contract sum of approximately RM94,000 up to 7 June 2017, of which the precast concrete junction boxes of a total sale price of approximately RM34,000 had been delivered to Telekom up to 31 May 2017. The agreement contemplated in the letter of award would be worth approximately RM21.4 million. Our Group's management expects that the forecast revenue under the letter of award with Telekom is approximately RM7.6 million, RM8.7 million and RM5.1 million for each of the four years ending 31 May 2018, 2019 and 2020. Our Directors, based on their best knowledge and belief after making an enquiry with Telekom, expect that a substantial portion of the precast concrete junction boxes will be delivered to Telekom's projects in each of Southern Malaysia and Central Malaysia. In this regard, our Directors have confirmed that the agreement contemplated in the letter of award is the first agreement entered directly between our Group and Telekom without the involvement of contractors or sub-contractors, whereby our Group may capture a higher profit margin in the sale of our precast concrete junction boxes.

In December 2015, we leased a parcel of land in Southern Malaysia for setting up our New Kulaijaya Plant. We expect that after completion of our New Kulaijaya Plant, its estimated annual production capacity will be approximately 6,770 m^3 ready-mix concrete consumed per year. The estimated timetable for the construction of our New Kulaijaya Plant is as follows:

	2017				**2018**			
	Quarter							
Implementation	1	2	3	4	1	2	3	4
Civil construction								
Installation of equipment								
Recruitment and training of staff								
Commence production by phase								

According to the unaudited management accounts of our Group, our unaudited revenue for the three months ended 31 May 2017 was higher than that for the three months ended 31 May 2016, which was mainly due to the increase in revenue generated from trading of junction box accessories and pipes.

Nine out of the 14 business-to-business agreements entered into between Malaysia and China focused on construction and infrastructure pursuant to the OBOR initiatives, which also require ancillary construction and development infrastructure, such as electricity and telecommunication network distribution whereby precast concrete junction boxes have become more prevalent, replacing traditional cast-in-situ concrete construction practice. Furthermore, our Directors take the view that the Malaysia-Singapore High Speed Rail project which will connect Kuala Lumpur and Johor Bahru with Singapore will fuel significant construction projects in Southern Malaysia. In light of the above, on 23 December 2016, our Group entered into a legally-binding letter of award (approximately RM21.4 million) with Telekom (a leading telecommunication company in Malaysia with a history tracing back to 1946) for the supply of precast concrete telecommunication junction boxes for a period from 1 January 2017 to 31 December 2019. We wish to tap into these ancillary construction and infrastructure projects by provision of our precast concrete junction boxes.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save for expenses incurred in relation to the Listing as disclosed in the paragraph headed "Listing expenses" in this section, we did not have any significant non-recurrent items in our consolidated statement of profit or loss and other comprehensive income. For details, please refer to the section headed "Risk Factors – Risks relating to our business – Our revenue is mainly derived from the manufacturing and sale of precast concrete junction boxes to our customers for infrastructure upgrades and expansion works and for construction projects, which are non-recurrent in nature and there is no guarantee that our customers will place new business purchase orders" of this prospectus.

Given the above, our Directors confirm that there has not been any material adverse changes in our Group's financial and trading position and prospects subsequent to the Track Record Period and up to the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Group is expected to record a net loss for the year ended 31 May 2017 due to a non-recurring Listing expenses of approximately RM11.4 million (equivalent to approximately HK$20.8 million). Save for the Listing expenses to be recognised for the year ended 31 May 2017, our Directors confirm that (i) there has been no material adverse change in the general economic and market condition, legal, industry and operating environment in which our Group operates that materially and adversely affected our Group's financial or operating position or prospects of our Group since 28 February 2017, being the date to which the latest financial information of our Group was made up and recorded in the Accountants' Report set out in Appendix I to this prospectus, and up to the date of this prospectus, and (ii) no event has occurred since 28 February 2017 that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed "Business – Business strategies" of this prospectus for our Group's business objectives and strategies.

IMPLEMENTATION PLANS

In pursuance of the above business objectives, the implementation plans of our Group are set forth below from the Listing Date to 30 November 2017 and for each of the six-month periods until 30 November 2019. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to the paragraph headed "Bases and Assumptions" in this section below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" of this prospectus.

The net proceeds from the Share Offer to our Company (after deduction of underwriting fees and estimated expenses payable by us in relation to the Share Offer) are estimated to be approximately HK$29.6 million. It is estimated that the total Listing expenses of approximately HK$20.8 million will be incurred. Our Directors presently intend to apply such net proceeds as follows:

(a) From the Listing Date to 30 November 2017

Business strategies	Implementation activities	Proceeds *HK$'000*
Expansion of production capacity	Expansion of our Existing Selangor Plant:	
	– Upgrading of existing machineries and equipment	364
	– Purchase of crane with gantry foundation, lorry cranes, mobile cranes and junction box moulds	1,904
	– Purchase of electrostatic precipitator	950

Business strategies	Implementation activities	Proceeds *HK$'000*
	Completing the establishment of our New Kulaijaya Plant:	
	– Purchase of crane with gantry foundation, lorry cranes, forklift and junction box moulds	2,427
	Recruitment of new staff in our Existing Selangor Plant:	
	– 1 additional supervisor	11
	– 3 additional production workers	16
	Recruitment of new staff in our New Kulaijaya Plant:	
	– 1 additional engineer	29
	– 1 additional supervisor	11
	– 10 additional production workers	55
Expansion of sales and marketing team	Head office: – 3 additional sales and marketing staff	55
Working capital	General working capital	822
		6,644

(b) From 1 December 2017 to 31 May 2018

Business strategies	Implementation activities	Proceeds *HK$'000*
Expansion of production capacity	Expansion of our Existing Selangor Plant:	
	– Purchase of crane with gantry foundation, lorry cranes, mobile cranes and junction box moulds	1,904
	Completing the establishment of our New Kulaijaya Plant:	
	– Purchase of crane with gantry foundation, lorry cranes, forklift and junction box moulds	2,427
	Recruitment of new staff in our Existing Selangor Plant:	
	– 1 additional production worker	16
	Recruitment of new staff in our New Kulaijaya Plant:	
	– 1 additional supervisor	33
	– 5 additional production workers	82
	Salaries for the new staff in our Existing Selangor Plant:	
	– 1 supervisor	33
	– 3 production workers	50
	Salaries for the new staff in our New Kulaijaya Plant:	
	– 1 engineer	87
	– 1 supervisor	33
	– 10 production workers	164
Expansion of sales and marketing team	Salaries for the 3 new sales and marketing staff	164
		4,993

(c) From 1 June 2018 to 30 November 2018

Business strategies	Implementation activities	Proceeds *HK$'000*
Expansion of production capacity	Expansion of our Existing Selangor Plant:	
	– Purchase of crane with gantry foundation, lorry cranes, mobile cranes and junction box moulds	1,904
	Completing the expansion of our New Kulaijaya Plant:	
	– Purchase of crane with gantry foundation, lorry cranes, forklift and junction box moulds	2,427
	Recruitment of new staff in our Existing Selangor Plant:	
	– 1 additional production worker	17
	Recruitment of new staff in our New Kulaijaya Plant:	
	– 1 additional supervisor	34
	– 5 additional production workers	86
	Salaries for the new staff in our Existing Selangor Plant:	
	– 1 supervisor	34
	– 4 production workers	69
	Salaries for the new staff in our New Kulaijaya Plant:	
	– 1 engineer	92
	– 2 supervisors	69
	– 15 production workers	258
Expansion of our business vertically in the supply chain of precast concrete junction box industry	Mergers and acquisitions	2,730
Expansion of sales and marketing team	Head office:	
	– Salaries for the 3 new sales and marketing staff	172
		7,892

(d) From 1 December 2018 to 31 May 2019

Business strategies	Implementation activities	Proceeds *HK$'000*
Expansion of production capacity	Salaries for the new staff in our Existing Selangor Plant:	
	– 1 supervisor	34
	– 5 production workers	86
	Salaries for the new staff in our New Kulaijaya Plant:	
	– 1 engineer	92
	– 3 supervisors	103
	– 20 production workers	344
Expansion of sales and marketing team	Head office:	
	– Salaries for the 3 new sales and marketing staff	172
		831

(e) From 1 June 2019 to 30 November 2019

Business strategies	Implementation activities	Proceeds *HK$'000*
Expansion of production capacity	Salaries for the new staff in our Existing Selangor Plant:	
	– 1 supervisor	36
	– 5 production workers	90
	Salaries for the new staff in our New Kulaijaya Plant:	
	– 1 engineer	96
	– 3 supervisors	108
	– 20 production workers	361
Acquisition of a parcel of land	Acquisition of a parcel of land in Southern Malaysia	8,372
Expansion of sales and marketing team	Head office:	
	– Salaries for the 3 new sales and marketing staff	181
		9,244

BASES AND ASSUMPTIONS

(a) Our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate.

(b) There will be no material change in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors.

(c) There will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates.

(d) There will be no change in the effectiveness of the licences, permits and qualifications obtained by our Group.

(e) There will be no material change in the bases or rates of taxation applicable to the activities of our Group.

(f) Our Group will be able to retain our customers and suppliers.

(g) Our Group will be able to retain key staff in the management and the main operational departments.

(h) There will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group.

(i) Our Group will not be materially affected by the risk factors as set out under the section headed "Risk Factors" of this prospectus.

REASONS FOR LISTING IN HONG KONG

Our Group is applying for listing in Hong Kong because it gives us long term advantage due to the favourable environment in Hong Kong, including its well established legal system, high level of internationalisation, freedom of flow of capital and information, and its maturity in the global financial market. Our Directors believe that the access to international funding will underpin our Group's future sustainable growth by providing us with diversified means to fund our future expansion plans. On the contrary, the sole reliance on organic growth funding via self-operation will impose constraints on the overall growth of our Group. The Listing would help raise our brand awareness, publicity, information transparency that builds up trust and confidence for potential and existing customers. In addition, our Directors also believe that customers may prefer to do business with a listed company given its reputation, listing status, public financial disclosures and general regulatory supervision by relevant Hong Kong regulatory bodies. Despite our Group has no nexus to Hong Kong or the PRC market and the high Listing expenses over the gross proceeds to be raised, our Directors believe that listing in Hong Kong allows us to higher liquidity and greater exposure to a wider analyst and investment community. Furthermore, given that Hong Kong has a stable currency pegged to USD, the Listing will enable our Group to have access to stable capital market for future fund raising should such need arise. Owing to the aforementioned reasons, our Directors are of the view that the Listing would enable our Group to strengthen our market position in the precast concrete telecommunication and electrical junction box industry in Malaysia.

Our Directors believe that the Listing represents an important step to implement our business strategies because our Group has imminent funding needs for the expansion of our business and it is imperative for our Group to seek a listing status due to the following reasons:

(A) Expected growth in the number of telecommunication and electrical infrastructure upgrade and expansion works and in the construction industry in Malaysia, which is co-related to the growth of our business

As our precast concrete junction boxes are used for telecommunication and electrical infrastructure upgrade and expansion works or in construction projects, our business therefore depends significantly on the level of activity and growth in the telecommunication and electricity supply and the construction industry in Malaysia. According to the Ipsos Report, the total value of construction works done is expected to continue to increase at a CAGR of approximately 5.1% between 2016 and 2019 from approximately RM126.8 billion to RM147.2 billion, respectively.

In respect of the telecommunication industry in Malaysia, according to the Ipsos Report, internet and broadband subscriptions witnessed continued growth; the number of fixed-line broadband subscriptions, is expected to increase at an average rate of approximately 11.9% year-on-year from 2016 to 2020. Concerning the electric supply in Malaysia, the Ipsos Report states that new developments are set in place to further boost the growth of underground cables in East Malaysia and new underground cable package for rural areas in Peninsular Malaysia. There are several major energy and utilities projects under construction or at planning stage to increase electricity distribution throughout Malaysia.

According to the Ipsos Report, the total value of construction works done in Selangor recorded the highest in value of construction work done, representing approximately 22.7% of construction work done (approximately RM6.9 billion) and Johor followed in second, with approximately 22.1% of construction work done (approximately RM6.7 billion), in the second quarter of 2016.

In light of the aforementioned development, it is expected that the electric utility company and telecommunication companies will thrive to supply the best infrastructure and access to meet the growing demands for consumers in Malaysia. Our Directors envisage that there would be considerable business opportunities and growth drivers which justify our Group's expansion plan.

(B) Necessity of implementing our business plans to capture more market share in the industry

i. Expanding our production capacity by expanding our existing production plant in Selangor and setting up new production plant in Kulaijaya

The utilisation rate of our Existing Selangor Plant reached 83.1% for the nine months ended 28 February 2017. It is imperative for us to expand the production capacity of our Existing Selangor Plant in order to align with our business growth and capture the business opportunities arising from both the increase of upgrade and expansion works in infrastructures and the expected growth in the construction industry in Malaysia.

Based on the delivery locations of our products, approximately 33.2%, 34.7% and 34.0% of our revenue has generated from Southern Malaysia during the Track Record Period. As we generally relied on third party cranes providers to deliver our precast concrete junction box from our production plant in Selangor to customers in Southern Malaysia. The cost of delivering our precast concrete junction box to customers in Southern Malaysia is generally higher than delivering to customers in the western region as the cost is based on actual distance of the trip. As such, our Directors believe that the establishment of a new production plant in Southern Malaysia would not only enable us to capture business opportunities in the Southern Malaysia, but also put us in an advantageous position to build up a close relationship with our customers in the southern region and other mechanical and electrical consultants and contractors therein, who are our potential customers.

We have earmarked a sum of approximately HK$14.3 million for upgrading and acquiring new machineries, equipment and production moulds in phases for the expansion of our Existing Selangor Plant and the New Kulaijaya Plant from the proceeds of the Share Offer. Following the acquisition of the machineries and equipment, we plan to recruit one engineer, four supervisors and 25 additional production workers in phases commencing from the second half of 2017 to work at our Existing Selangor Plant and the New Kulaijaya Plant. It is expected that this additional workforce will incur additional staff costs of approximately HK$2.6 million from Listing to 30 November 2019.

Based on our gross profit ratio of approximately 29.8% for FY2016 and the expected growth in the telecommunication and electrical infrastructure upgrade and expansion works and in the construction industry in Malaysia, we are confident that we can fully cover the aforesaid additional cost to be incurred.

ii. Expansion of our sales and marketing team

Further, aligning with the expansion of our production capacity, we intend to expand our sales and marketing team by expanding recruitment of three sales representatives who are knowledgeable in precast concrete junction boxes for telecommunication and electrical infrastructures in Malaysia. Our Directors recognise the need for further capital to enhance our brand recognition to maintain our leading position in the industry, which is competitive and consolidated. We have earmarked a sum of approximately HK$0.8 million for the hiring these additional sales representatives from the proceeds of the Share Offer. It is expected that these new sales representatives will be particularly designated for promoting and marketing our products to our potential and existing customers and in various regions in Malaysia.

iii. Additional capital required to consolidate our Group's market position

Pursuant to the Ipsos Report, our Group ranked first in the precast concrete junction box industry in terms of revenue with a market share of 28.3% in Malaysia in the calendar year of 2015. Our Directors consider that given our well-established reputation within the precast concrete junction box industry and our long-established business relationship with our customers, our Group is capable of capturing the continuous growth in the precast concrete junction box industry in Malaysia and further increase our market share, which depends on (i) our then available operational resources including manpower resources, machineries, equipment, and lorry cranes; and (ii) sufficient capital to support the future growth in business.

iv. Acquisition of a parcel of land in Southern Malaysia

Based on the delivery locations of our products, it is noted that approximately 33.2%, 34.7% and 34.0% of our revenue were generated from Southern Malaysia during the Track Record Period. Hence, Southern Malaysia was our second largest market during the Track Record Period. According to the Ipsos Report, there are new housing developments and key infrastructure projects in Southern Malaysia by 2020 (for details, please refer to the section headed "Industry Overview" of this prospectus). Our Directors take the view that there would be business opportunities arising from the telecommunication and electrical infrastructure works and the construction industry in Southern Malaysia.

Though we are in the course of setting up our New Kulaijaya Plant in Southern Malaysia, the plant is a leased property under a lease expiring in 2018 which is renewable for a further term up to 2021, our Directors take the view that it would benefit our Group in a long run if we can acquire a parcel of land in Southern Malaysia, preferably the land on which our New Kulaijaya Plant is currently located, as it would reduce the risks associated with the leased property, such as early termination or non-renewal of the lease by the landlord and the possible increase in rental expenses; eliminate the costs, time and efforts associated with the possible relocation of our production plant in Southern Malaysia; and provide a stable production plant for the growing business of our Group. We have therefore earmarked a sum of approximately HK$8.4 million for acquiring a parcel of land in Southern Malaysia for setting up a new plant thereon.

(C) Need for equity financing

i. Our Group's significant cash outflow exposure

Although our business generated net operating cash inflow, it does not necessarily mean that our Group has no imminent needs to raise funds in order to implement our business strategies. Taking into account the fact that (i) our Group only had a cash balance of approximately RM9.1 million (excluding short term bank deposits pledged with banks) as at 28 February 2017; (ii) our trade receivables increased by approximately RM1.8 million from approximately RM8.4 million as at 31 May 2015 to approximately RM10.2 million as at 28 February 2017; and (iii) our Group's significant cash outflow exposure including the mismatch in the time between receipt of payments from our customers and payments to our suppliers, external logistics companies and staff costs, our Directors believe our Group may not have sufficient internal generated funds to finance our expansion plan while at the same time maintaining sufficient working capital for our Group's operations.

ii. Vertical integration of our business by mergers and acquisitions

It is one of our Group's business strategies to expand our business vertically by acquiring potential target companies which are engaged in the production of precast junction box covers and other accessories. A part of the net proceeds from the Share Offer is earmarked for vertical expansion or integration in the supply chain of the precast concrete junction box industry in the Malaysia through providing a wide range of product mix to our customers. It is estimated that approximately HK$2.7 million will be used for the vertical integration of our Group.

(D) Commercial rationale for listing

i. Strengthening our Group's corporate profile, credibility and competitiveness

Our Directors believe that a listing status will enhance our credibility with suppliers and customers, and thus enhance our level of competitiveness in securing customers' contracts. The increased level of information transparency after the Listing will also give our existing and prospective customers and suppliers the public access to our Group's corporate and financial information, which could generate further confidence in our Group among them. The status of being a listed company on GEM of the Stock Exchange in Hong Kong will also raise our Group's reputation amongst our competitors, which will help implement our business strategies and expand our customer base and market share within the industry. With such status, our Group can be differentiated from other competitors during the contracting process and we can enhance our ability to attract and engage sizeable customers with sizeable operations.

ii. The listing status provides an equity fund raising platform for our Group

Although our Group was able to successfully expand our business using internally generated funds and bank borrowings during the Track Record Period and has been able to repay bank loans as they fell due in the past, our Group still plans to seek equity fund raising instead of continuing to use the historical capital structure to fund our future growth as the latter will place undue financial burden on our Group in terms of cash flow if we are to apply all our internal capital resources or bank loans for growth purpose. Our Directors anticipated that additional bank borrowings to our Group would be needed for our expansion. The Share Offer, which allows us to access the capital market for fund raising, will assist our future business development and strengthen our competitiveness. Subsequent to the Listing, we will also have access to secondary market fund raising for our future expansion plans through the issuance of equity and/or debt securities.

By strengthening our financial position through fund raising, we will also have more bargaining power when negotiating terms with our suppliers for manufacturing materials, and with other business partners, if any. Our Group will be able to maintain a lower level of gearing ratio as compared to the gearing ratio of approximately 6.7% as at 31 May 2016.

iii. Diversification of shareholder base and enhance liquidity in trading of Shares

Our Directors take the view that the Listing will enhance the liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. Hence, our Directors consider that the Share Offer will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

Although the amount of expenses for the Listing represents a significant proportion of the gross proceeds from the Listing, such expenses are non-recurring by nature for which we would not have to pay following the completion of the Listing.

For the reasons stated above, our Directors believe that the Share Offer is beneficial to us in the long run.

USE OF PROCEEDS

For the period from the Listing Date to 30 November 2019, our net proceeds from the Share Offer will be used as follows:

	From the Listing Date to 30 November 2017	From 1 December 2017 to 31 May 2018	From 1 June 2018 to 30 November 2018	From 1 December 2018 to 31 May 2019	From 1 June 2019 to 30 November 2019	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Expansion of production capacity	5,767	4,829	4,990	659	691	16,936
Acquisition of a parcel of land	–	–	–	–	8,372	8,372
Expansion of our business vertically in the supply chain of precast concrete junction box industry	–	–	2,730	–	–	2,730
Expansion of sales and marketing team	55	164	172	172	181	744
General working capital	822	–	–	–	–	822
	6,644	4,993	7,892	831	9,244	29,604

Based on the Offer Price of HK$0.28 per Offer Share, being the mid-point of the indicative Offer Price range of HK$0.25 per Offer Share to HK$0.31 per Offer Share, we will receive a gross proceeds of approximately HK$50.4 million. The net proceeds from the Share Offer are estimated to be approximately HK$29.6 million, after deducting the underwriting commission and other estimated expenses payable by our Company in relation to the Share Offer. We intend to apply such net proceeds from the Share Offer as follows:

- approximately of 57.2% of the net proceeds, or approximately HK$16.9 million, will be used for the expansion of production capacity, of which (i) approximately HK$7.0 million will be used for the expansion of the Existing Selangor Plant; (ii) approximately HK$7.3 million will be used for completing the establishment of the New Kulaijaya Plant; and (iii) approximately HK$2.6 million will be used for the recruitment of new staff;

- approximately of 28.3% of the net proceeds, or approximately HK$8.4 million, will be used to acquire of a parcel of land in Southern Malaysia;

- approximately of 9.2% of the net proceeds, or approximately HK$2.7 million, will be used to expand our business vertically in the supply chain of precast concrete junction box industry through mergers and acquisitions;

- approximately of 2.5% of the net proceeds, or approximately HK$0.8 million, will be used for the expansion of sales and marketing team; and

- approximately of 2.8% of the net proceeds, or approximately HK$0.8 million, will be used as general working capital.

If the Offer Price is finally determined to be more than HK$0.28 per Offer Share, being the mid-point of the indicative range of the Offer Price, the above proposed allocation of net proceeds will increase on a *pro rata* basis. If the Offer Price is less than the mid-point of the indicative range of the Offer Price, the above allocation of the net proceeds will decrease on a *pro rata* basis and we plan to finance such shortfall by internal generated financial resources and/or other financing, as and when appropriate.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to affect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks or authorised financial institutions for so long as it is in our best interests.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new project of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Group will issue an announcement in accordance with the GEM Listing Rules.

PUBLIC OFFER UNDERWRITERS

Public Offer Underwriters

Ample Orient Capital Limited
ChaoShang Securities Limited
Supreme China Securities Limited

Joint Lead Managers and Joint Bookrunners

Ample Orient Capital Limited
ChaoShang Securities Limited
Supreme China Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other matters, the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to the satisfaction of certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Lead Managers shall have the absolute discretion to terminate the arrangements set out in the Public Offer Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, if there shall develop, occur, exist or come into effect:

(i) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Malaysia, the Cayman Islands, the BVI or any relevant jurisdiction; or

(ii) any adverse change (whether or not permanent) in local, national or international stock market conditions; or

(iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, Malaysia, the Cayman Islands, the BVI or any relevant jurisdiction; or

(v) any adverse change in the business or in the financial or trading position of our Group or otherwise; or

(vi) any change or development (whether or not permanent), or any event or series of events resulting in any change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in Hong Kong, Malaysia, the Cayman Islands, the BVI, or any relevant jurisdiction; or

(vii) a general moratorium on commercial banking business activities in Hong Kong, Malaysia, the Cayman Islands, the BVI or any relevant jurisdiction declared by the relevant authorities; or

(viii) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases,

which in the reasonable opinion of the Joint Lead Managers:

(a) might be materially adverse to the business, financial condition or prospects of our Group taken as a whole; or

(b) might have a material adverse effect on the success of the Share Offer or might have the effect of making any part of the Public Offer Underwriting Agreement incapable of implementation or performance in accordance with its terms; or

(c) makes it inadvisable or inexpedient to proceed with the Share Offer.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Joint Lead Managers:

(i) any matter or event showing any of the warranties to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been any breach of any of the warranties or any other provision of the Public Offer

Underwriting Agreement which is considered, in the reasonable opinion of the Sole Sponsor and the Joint Lead Managers, to be material in the context of the Public Offer; or

(ii) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the reasonable opinion of the Sole Sponsor and the Joint Lead Managers in the context of the Public Offer; or

(iii) any statement contained in this prospectus and the Application Forms reasonably considered to be material by the Sole Sponsor and the Joint Lead Managers which is discovered to be or becomes untrue, incorrect or misleading and in the reasonable opinion of the Sole Sponsor and the Joint Lead Managers to be material in the context of the Public Offer; or

(iv) any event, act or omission which gives rise or is likely to give rise to any material liability of any of our Company, our executive Directors and our Controlling Shareholders pursuant to the indemnities contained in the Public Offer Underwriting Agreement,

the Joint Lead Managers shall be entitled (but not bound) by notice in writing to our Company on or prior to such time to terminate the Public Offer Underwriting Agreement.

Undertakings to the Stock Exchange pursuant to the GEM Listing Rules

By our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as prescribed under Rule 17.29 of the GEM Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Share Offer, it/he shall not and shall procure that the relevant registered shareholder(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 those Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; or

(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, our Controlling Shareholders would cease to be controlling shareholders (as defined in the GEM Listing Rules).

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange, our Company and the Sole Sponsor that, within 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 12 months from the Listing Date, it/he will:

(a) when it/he pledges or charges any Shares or other securities or interests in any securities of our Company beneficially owned by it/him in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it/he receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities or interests in any securities of our Company will be disposed of, immediately inform us and the Joint Lead Managers of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the GEM Listing Rules as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

By our Company

Except pursuant to the Capitalisation Issue, the Share Option Scheme and the Share Offer, during the period commencing on the date of this prospectus and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company has undertaken to each of the Joint Lead Managers, the Public Offer Underwriters and the Sole Sponsor not to, and to procure each other member of our Group not to, without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed) and the Sole Sponsor and unless in compliance with the requirements of the GEM Listing Rules:

(i) offer, allot, issue or sell, or agree to allot, issue or sell, hedge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities; or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer or agree to do any of the foregoing transactions and publicly disclose any intention to effect such transaction,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

By our Controlling Shareholders

Each of our Controlling Shareholders has also undertaken to each of our Company, the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters that, save as (i) pursuant to the Share Offer; or (ii) permitted under the GEM Listing Rules, without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed) and the Sole Sponsor:

(1) it will not, at any time from the date of the Underwriting Agreement until the expiry of the First Six-Month Period (the "**Non-Disposal Undertaking**"), (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), 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 Shares or any other securities of our Company or any interest therein (including,

without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period); and

(2) it will not, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a "controlling shareholder" (as defined in the GEM Listing Rules) of our Company (the "**Non-cessation of Controlling Shareholder Undertaking**").

Voluntary lock-up undertaking by our Controlling Shareholders

In addition to the requirement of Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has jointly and severally undertaken to our Company that the period of the Non-Disposal Undertaking be extended to one year which shall end on the first anniversary date of Listing (the "**First Anniversary**"); whereas the Non-cessation of Controlling Shareholder Undertaking shall cover the Second Six-Month Period and end on the six months after the First Anniversary (together, the "**Voluntary Lock-up Undertaking Period**"). The voluntary lock-up undertaking given to our Company by our Controlling Shareholders can only be waived by majority of our Company's independent shareholders.

Until the expiry of the Voluntary Lock-up Undertaking Period, in the event that any of our Controlling Shareholders enters into the foregoing transactions or agrees or contracts to, or publicly announces any intention to enter into any such transactions, it/he will take all reasonable steps to ensure that it/he will not create a disorderly or false market in the Shares or other securities of our Company.

The above undertakings are irrevocable and cannot be waived by the consent (whether written or not) of our Company, the Sole Sponsor, the Joint Lead Managers or the Public Offer Underwriters.

Each of our Controlling Shareholders further undertakes to the Stock Exchange, our Company, the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters that during the period commencing on the date by reference to which disclosure of its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it shall:

(i) when it pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company, the Sole Sponsor and the Joint Lead Managers of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as may be reasonably requested by our Company, the Sole Sponsor and/or the Joint Lead Managers; and

(ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Shares (or interest therein) or other shares or interests as mentioned in sub-paragraph (i) above, when it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform our Company of such indications, and inform the Sole Sponsor and the Joint Lead Managers as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of announcement in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriter from certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company or our Controlling Shareholders or our executive Directors of the Public Offer Underwriting Agreement.

Undertakings to our Group and the Sole Sponsor

Undertakings by Greater Elite and Mr. Law

Each of Greater Elite and Mr. Law is interested in 19.84% of the equity interest of Greater Elite upon Listing. As their equity interest in our Company is below 30% upon Listing and shall not be regarded as the Controlling Shareholders, the lock-up under Rule 13.16A(1)(b) of the GEM Listing Rules shall not be applicable. Nevertheless, Greater Elite and Mr. Law have unconditionally and irrevocably undertaken to our Group and the Sole Sponsor that they shall not at any time during the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date on which the Second Six-Month Period 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 securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owner (whether direct or indirect).

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure professional, institutional and other investors to subscribe for the Placing Shares being offered pursuant to the Placing.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors 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 – Public Offer Underwriting Agreement – Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

It is expected that each of our 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 it/him in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraphs "Underwriting arrangements and expenses – Public Offer Underwriting Agreement" and "Underwriting arrangements and expenses – Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

Commission and expenses

The Underwriters will receive a gross commission of 3.0% on the aggregate Offer Price of all the Offer Shares now being offered, out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession, if any. The underwriting commission, documentation fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the Share Offer are estimated to be approximately HK$20.8 million in aggregate (based on an Offer Price of HK$0.28 per Offer Share, being the mid-point of the indicative Offer Price range of HK$0.25 per Offer Share to HK$0.31 per Offer Share) and is paid or payable by our Company.

Underwriters' interests in our Company

Save for its interests and obligations under the Underwriting Agreements and save as disclosed in this prospectus, none of the Underwriters or any of its associates is interested beneficially or non-beneficially in any shares in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of our Group.

Compliance Adviser's agreement

Under a compliance adviser's agreement made between RHB Capital Hong Kong Limited and our Company (the "**Compliance Adviser's Agreement**"), our Company appoints RHB Capital Hong Kong Limited and RHB Capital Hong Kong Limited agrees to act as the compliance adviser to our Company for the purpose of the GEM Listing Rules for a fee from the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is earlier.

Sole Sponsor's interest in our Company

The Sole Sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save for the advisory and documentation fees to be paid to the Sole Sponsor in relation to the Share Offer, its obligations under the Underwriting Agreements and any interests in securities that may be subscribed by it pursuant to the Share Offer, neither the Sole Sponsor nor any of its associates has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

No director or employee of the Sole Sponsor has a directorship in our Company or any other company in our Group.

STRUCTURE OF THE SHARE OFFER

The Share Offer comprises:

(i) the Public Offer of an aggregate of 18,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong; and

(ii) the Placing of 162,000,000 Placing Shares (subject to reallocation as mentioned below).

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both. The Offer Shares will represent approximately 29.03% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account any options which may be granted under the Share Option Scheme). The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among other things:

(i) the Listing Division of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be allotted and issued as mentioned in this prospectus, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(ii) the Offer Price having been duly determined; and

(iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Lead Managers (for themselves and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with its terms,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.targetprecast.com on the next business day following such lapse.

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 18,000,000 Public Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.9% of our Company's enlarged issued share capital immediately after the completion of the Share Offer and the Capitalisation Issue, and without taking into account Shares which may be issued upon exercise of options as may be granted under the Share Option Scheme. The Public Offer is open to members of the public in Hong Kong as well as to professional institutional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section.

Allocation

Allocation of the Offer Shares to investors under the Share Offer will be based solely on the level of valid applications received under the Share Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. Allocation of the Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 18,000,000 Public Offer Shares initially available for subscription 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 that he and any person(s) for whose benefit he 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).

The final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Tuesday, 18 July 2017 through a variety of channels as described in paragraph headed "How to Apply for Public Offer Shares – Publication of results".

Reallocation

Allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered under the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Joint Lead Managers shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then 36,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 54,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;

- if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then 54,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 72,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and

- if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then 72,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 90,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

In each case, based on the additional Offer Shares reallocated to the Public Offer, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Lead Managers deem appropriate. In addition, the Joint Lead Managers may in their sole and absolute discretion 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, the Joint Lead Managers will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares in such amount as the Joint Lead Managers deem appropriate.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PLACING

Number of the Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 162,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 26.1% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue, but without taking into account Shares which may be upon exercise of options granted under the Share Option Scheme.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriters. The Placing Shares will be selectively placed to certain professional, institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the bookbuilding process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Lead Managers may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

OFFER PRICE

Determination of the Offer Price

The Offer Price will be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around Wednesday, 12 July 2017. If the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Wednesday, 12 July 2017, the Share Offer will not become unconditional and will not proceed. The Joint Lead Managers (for itself and on behalf of the other Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.targetprecast.com an announcement of such change on or before the Price Determination Date. Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.targetprecast.com a notice of the change and if applicable the revised date.

Offer Price range

The Offer Price will not be more than HK$0.31 per Offer Share and is expected to be not less than HK$0.25 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus unless otherwise announced.

Price payable on application

The Offer Price will not be more than HK$0.31 per Offer Share and is expected to be not less than HK$0.25 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK$0.31 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK$2,504.99 per board lot of 8,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK$0.31 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION

Announcement of the final Offer Price, together with the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.targetprecast.com on Tuesday, 18 July 2017.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Wednesday, 19 July 2017. The Shares will be traded in board lots of 8,000 Shares each. The GEM stock code for the Shares is 8427.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Share Offer will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply for the Offer Shares online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for or indicated an interest in any Placing Shares under the Placing or otherwise participated in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply only to the **HK eIPO White Form** Service Provider at www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 6 July 2017 to 12:00 noon on Tuesday, 11 July 2017 from:

(i) the following offices of the Joint Lead Managers:

Ample Orient Capital Limited
Room A, 17/F
Fortune House
61 Connaught Road Central
Central
Hong Kong

ChaoShang Securities Limited
Rooms 4001-4002, China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Supreme China Securities Limited
Suite 2701-2, 27/F
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

(ii) any of the following branches of DBS Bank (Hong Kong) Limited:

	Branch	**Address**
Hong Kong Island	United Centre Branch	Shops 1015-1018 on 1/F & Shops 2032-2034 on 2/F, United Centre, 95 Queensway, Admiralty
Kowloon	Amoy Plaza Branch	Shops G193-195, Amoy Plaza, 77 Ngau Tau Kok Road, Ngau Tau Kok
	Mei Foo Branch	Shops N26A & N26B, Stage V, Mei Foo Sun Chuen, 10 & 12 Nassau Street
New Territories	Tuen Mun Town Plaza – SME Banking Centre	Shop 23, G/F, Tuen Mun Town Plaza (II), 3 Tuen Lung Street, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 6 July 2017 until 12:00 noon on Tuesday, 11 July 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited – SK Target Group 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:

9:00 a.m. to 5:00 p.m., Thursday, 6 July 2017
9:00 a.m. to 5:00 p.m., Friday, 7 July 2017
9:00 a.m. to 1:00 p.m., Saturday, 8 July 2017
9:00 a.m. to 5:00 p.m., Monday, 10 July 2017
9:00 a.m. to 12:00 noon, Tuesday, 11 July 2017

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 11 July 2017, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening and the closing of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person of whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance 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 Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply" in this section above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** Service Provider.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service through the designated website at www.hkeipo.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Thursday, 6 July 2017 until 11:30 a.m. on Tuesday, 11 July 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 11 July 2017, the last day for applications, or such later time as described in the paragraph headed "10. Effect of bad weather on the opening and the closing of the application lists" below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for the Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 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 Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association of our Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- 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 Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

9:00 a.m. to 8:30 p.m.[1], Thursday, 6 July 2017
8:00 a.m. to 8:30 p.m.[1], Friday, 7 July 2017
8:00 a.m. to 1:00 p.m.[1], Saturday, 8 July 2017
8:00 a.m. to 8:30 p.m.[1], Monday, 10 July 2017
8:00 a.m.[1] to 12:00 noon, Tuesday, 11 July 2017

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 6 July 2017 until 12:00 noon on Tuesday, 11 July 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 11 July 2017, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening and the closing of the application lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (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 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 11 July 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 8,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and Conditions of the Share Offer – Offer Price" of this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING AND THE CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 11 July 2017.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 11 July 2017 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 18 July 2017 on our Company's website at www.targetprecast.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.targetprecast.com and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Tuesday, 18 July 2017;

- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 18 July 2017 to 12:00 midnight on Monday, 24 July 2017;

- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 18 July 2017 to Friday, 21 July 2017 on a Business Day;

- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 18 July 2017 to Thursday, 20 July 2017 at the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" of 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.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 (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 our agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Listing Division of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.hkeipo.hk;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 18,000,000 Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$0.31 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer – Conditions of the Share Offer" of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 18 July 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

  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 dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 18 July 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 19 July 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Service Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 18 July 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong 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 Tuesday, 18 July 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 18 July 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 18 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 18 July 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through HK eIPO White Form service:

- If you apply for 1,000,000 Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 18 July 2017, or any other place or date notified by our Company as the place or date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

- If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, 18 July 2017 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 18 July 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the sub-paragraph headed "Publication of results" above in this section on Tuesday, 18 July 2017.

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 18 July 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 18 July 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 18 July 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix V to this prospectus, a copy of the accountants' report is available for inspection.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SK TARGET GROUP LIMITED AND RHB CAPITAL HONG KONG LIMITED

Introduction

We report on the historical financial information of SK Target Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-42, which comprises the consolidated statements of financial position as at 31 May 2015, 31 May 2016 and 28 February 2017, the statement of financial position of the Company as at 28 February 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-42 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 6 July 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 May 2015, 31 May 2016 and 28 February 2017, the Company's financial position as at 28 February 2017, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the 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 nine months ended 29 February 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board (the "IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (the "ISA") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 26 to the Historical Financial Information which states that no dividends have been paid by SK Target Group Limited in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
6 July 2017

A. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared based on the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standard Board ("IASB") and were audited by Deloitte PLT, Chartered Accountants in Malaysia, in accordance with ISA issued by the IAASB ("Underlying Financial Statements").

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 May		Nine months ended	
				29 February	28 February
	Notes	2015	2016	2016	2017
		RM'000	*RM'000*	*RM'000* (unaudited)	*RM'000*
Revenue	*6*	23,165	33,281	24,340	24,520
Cost of sales		(15,687)	(23,352)	(17,012)	(16,253)
Gross profit		7,478	9,929	7,328	8,267
Other income		70	154	142	100
Administrative expenses		(1,255)	(2,198)	(1,322)	(2,022)
Selling and distribution expenses		(1,081)	(1,256)	(1,000)	(1,088)
Listing expenses		–	–	–	(4,292)
Finance costs	*9*	(98)	(75)	(54)	(50)
Fair value change of financial assets at fair value through profit or loss		(7)	12	18	13
Profit before taxation	*10*	5,107	6,566	5,112	928
Taxation	*11*	(1,261)	(1,671)	(1,191)	(1,314)
Profit/(loss) and total comprehensive income/(expense) for the year/period		3,846	4,895	3,921	(386)
Earnings/(loss) per share Basic (RM cents)	*12*	1.21	1.54	1.24	(0.11)

Consolidated Statements of Financial Position

	Notes	As at 31 May 2015 *RM'000*	As at 31 May 2016 *RM'000*	As at 28 February 2017 *RM'000*
Non-current assets				
Property, plant and equipment	*14*	2,173	2,261	2,977
Investment property	*15*	421	411	403
Available-for-sale investments	*16*	125	–	–
		2,719	2,672	3,380
Current assets				
Financial assets at fair value through profit or loss	*18*	823	835	–
Inventories	*19*	782	1,049	1,011
Receivables, deposits and prepayment	*20*	8,730	11,599	12,242
Amount owing from a director	*21*	50	177	–
Amounts owing from shareholders	*21*	–	–	15
Amounts owing from related parties	*21*	60	–	–
Tax recoverable		–	–	99
Short term bank deposits pledged with banks	*22*	1,319	1,349	1,053
Cash on hand and at bank		1,752	3,181	9,071
		13,516	18,190	23,491
Current liabilities				
Payables and accrued charges	*23*	5,715	6,110	4,972
Amount owing to a director	*21*	–	–	590
Finance leases	*24*	259	93	215
Bank borrowings	*25*	419	599	–
Tax payable		825	286	358
Dividend payable		–	2,000	930
		7,218	9,088	7,065
Net current assets		6,298	9,102	16,426
Total assets less current liabilities		9,017	11,774	19,806
Non-current liabilities				
Finance leases	*24*	100	69	459
Bank borrowings	*25*	123	16	–
Deferred tax liabilities	*17*	106	106	141
		329	191	600
Net assets		8,688	11,583	19,206
Capital and reserves				
Share capital		–	–	–
Reserves		8,688	11,583	19,206
		8,688	11,583	19,206

Consolidated Statements of Changes in Equity

	Share Capital *RM'000*	Other reserve *RM'000* *(Note)*	Retained profits *RM'000*	Total *RM'000*
At 1 June 2014	–	570	5,127	5,697
Profit and total comprehensive income for the year	–	–	3,846	3,846
Dividend declared (Note 13)	–	–	(855)	(855)
At 31 May 2015	–	570	8,118	8,688
Profit and total comprehensive income for the year	–	–	4,895	4,895
Dividend declared (Note 13)	–	–	(2,000)	(2,000)
At 31 May 2016	–	570	11,013	11,583
Loss and total comprehensive expense for the period	–	–	(386)	(386)
Acquisition of the equity interest in subsidiaries by an intermediate holding company of the Company pursuant to the reorganisation	–	(570)	–	(570)
Capital injection and issuance of shares	–	8,579	–	8,579
At 28 February 2017	–	8,579	10,627	19,206
At 1 June 2015	–	570	8,118	8,688
Profit and total comprehensive income for the period (unaudited)	–	–	3,921	3,921
Dividend declared (Note 13)	–	–	(700)	(700)
At 29 February 2016 (unaudited)	–	570	11,339	11,909

Note: For the purpose of this report, the other reserve at 31 May 2015 and 31 May 2016 represented the aggregate amount of the fully paid registered or paid-in capital of Target Precast, Target S&M, Target C&L, Gallant Empire, SK Target Holdings and Loyal Earn. As at 28 February 2017, amount represents capital contribution from a pre-IPO investor. Pursuant to a subscription agreement, the pre-IPO investor agreed to subscribe for, and Gallant Empire agreed to allot and issue 388 ordinary shares of Gallant Empire, which represented 27.95% equity interest in Gallant Empire, to the pre-IPO investor for a total subscription price of HK$15,000,000 (approximately equivalent to RM8,579,000).

As part of the Reorganisation, Mr. Loh transferred his equity interest in Target Precast, Target S&M and Target C&L to SK Target Holdings for a total consideration of RM570,000. After the transfer, Target Precast, Target S&M and Target C&L became wholly-owned subsidiaries of SK Target Holdings.

Statement of financial position of the Company as at 28 February 2017

	As at 28 February 2017
	RM'000
Non-current asset	
Investment in a subsidiary	4
Current asset	
Amount owing from shareholders (Note 26)	1
Current liability	
Amount owing to subsidiaries (Note 26)	(4,319)
Net current liabilities	(4,318)
Total net assets less current liabilities/Net liabilities	(4,314)
Capital and reserve	
Share capital	–
Accumulated loss	(4,314)
	(4,314)

Movement in the Company's reserves

	Accumulated loss	Total
	RM'000	*RM'000*
At date of incorporation	–	–
Loss and total comprehensive expense for the period	(4,314)	(4,314)
At 28 February 2017	(4,314)	(4,314)

Consolidated Statements of Cash Flows

	Year ended 31 May		Nine months ended	
			29 February	28 February
	2015	2016	2016	2017
	RM'000	*RM'000*	*RM'000*	*RM'000*
			(unaudited)	
OPERATING ACTIVITIES				
Profit before taxation	5,107	6,566	5,112	928
Adjustments for:				
Finance costs	98	75	54	50
Bad debts (recovered)/written off	–	(23)	(23)	13
Depreciation of property, plant and equipment	322	325	243	307
Depreciation of investment property	10	10	5	8
Fair value change of financial assets at fair value through profit or loss	7	(12)	(18)	(13)
Allowance for doubtful debts	–	176	–	–
Gain on disposal of property, plant and equipment	–	–	–	(13)
Unrealised gain on foreign exchange	–	–	–	(12)
Interest income	(47)	(33)	(29)	(48)
Operating cash flows before movements in working capital	5,497	7,084	5,344	1,220
(Increase)/decrease in inventories	(404)	(267)	(198)	38
Increase in receivables, deposits and prepayment	(3,341)	(3,022)	(2,877)	(656)
Increase/(decrease) in payables and accrued charges	1,728	395	449	(1,138)
Net cash generated from/(used in) operations	3,480	4,190	2,718	(536)
Income tax paid	(692)	(2,210)	(1,585)	(1,306)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	2,788	1,980	1,133	(1,842)
INVESTING ACTIVITIES				
Interest received	47	33	29	14
Purchase of property, plant and equipment	(17)	(313)	(277)	(394)
Purchase of financial assets at fair value through profit or loss	(251)	–	–	–
Proceed from disposal of financial assets at fair value through profit or loss	150	–	–	848
Proceed from disposal of available-for-sale investment	–	125	125	–
Advance to a director	(50)	(156)	–	–
Repayment from a director	–	29	29	197
Advance to shareholders	–	–	–	(15)

	Year ended 31 May		Nine months ended	
			29 February	28 February
	2015	2016	2016	2017
	RM'000	*RM'000*	*RM'000*	*RM'000*
			(unaudited)	
(Increase)/decrease in amounts owing from related parties	(60)	60	60	–
Proceed from disposal of property, plant and equipment	–	–	–	113
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(181)	(222)	(34)	763
FINANCING ACTIVITIES				
Dividend paid	(855)	–	–	(1,070)
Finance cost paid	(98)	(75)	(54)	(50)
Repayment of bank borrowings	(38)	(1,327)	(1,122)	(1,312)
New bank borrowings raised	–	1,400	916	697
Repayment of finance leases	(376)	(297)	(146)	(217)
(Increase)/decrease in fixed deposit pledged	(664)	(30)	(27)	330
Investment from pre-IPO investor	–	–	–	8,579
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(2,031)	(329)	(433)	6,957
NET INCREASE IN CASH AND CASH EQUIVALENTS	576	1,429	666	5,878
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	1,176	1,752	1,752	3,181
Effects of exchange rate changes on the balance of cash held in foreign currency	–	–	–	12
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD REPRESENTED BY				
Cash on hand and at bank	1,752	3,181	2,418	9,071

B. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company is an investment holding company and the principal activities of the Group are manufacturing and trading of precast concrete junction boxes, trading of accessories and pipes and provision of mobile crane rental and ancillary services in Malaysia.

The Company was incorporated on 28 October 2016. The addresses of the registered office and principal place of business of the Company are stated in the section "Corporate Information" of this prospectus.

Merchant World Investments Limited, a limited company incorporated in the British Virgin Islands ("BVI"), is the immediate and ultimate holding company of the Company.

The Historical Financial Information is presented in Malaysian Ringgit ("RM"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by IASB and the principle of merger accounting (under Accounting Guideline 5 "Merger Accounting for Common Control Combinations").

In preparation for the proposed initial listing of the shares of the Company on the Stock Exchange, the Group underwent a reorganisation (the "Reorganisation"). For the details of the Reorganisation, please refer to the section "History and Development" of this prospectus issued by the Company dated 6 July 2017 (the "Prospectus").

The Reorganisation involved the setting up of the Company, Gallant Empire, SK Target Holdings and Loyal Earn, and interspersing the Company, Gallant Empire, SK Target Holdings and Loyal Earn between the Subsidiaries and Mr. Loh Swee Keong, the director and sole beneficial owner of the group entities. The Company, Gallant Empire, SK Target Holdings, Loyal Earn, Target Precast, Target S&M, and Target C&L were under common control by Mr. Loh Swee Keong throughout the Track Record Period or since their respective dates of incorporation, where there is a shorter period. The Company is the holding company after the Reorganisation and forming part of the Group. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group have been prepared as if the group structure upon completion of the Reorganisation had been in existence throughout the Track Record Period, or since their date of incorporation, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 May 2015, 31 May 2016 and 28 February 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the group structure upon completion of the Reorganisation had been in existence at those dates taking into account the respective date of incorporation, where applicable.

3. ADOPTION OF NEW AND REVISED IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied all IFRSs issued by the IASB that are effective for the Group's accounting periods beginning on 1 June 2016 throughout the Track Record Period.

The Group has not early applied the following new and amendments to IFRSs and the interpretations ("new and revised IFRSs") that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[6]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2017

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

6 Effective for annual periods beginning on or after 1 January 2021

The directors of the Group anticipate that the application of the new and revised IFRSs will have no material impact on the Historical Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and complied with the disclosure requirements of the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level I, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing carrying amounts from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless the date of the common control combination.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for the sales related tax (e.g. goods and services tax).

(i) Sales of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Rendering of services

Service income is recognised when services are provided.

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iv) Interest income

Interest income is recognised on accruals basis using the effective interest method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as and included in profit or loss under the finance costs in the consolidated statements of profit or loss and other comprehensive income in the period in which they are incurred.

Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and non-monetary benefits are recognised as expense in the period in which the associated services are rendered by employees of the Group. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Retirement benefits costs

Contributions to defined contribution retirement plans are recognised as an expense when employees have rendered services entitling them to the contributions. The Group has no further payment obligations once these contributions have been paid.

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before taxation' as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress for manufacturing purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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 the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and financial assets at fair value through profit or loss ("FVTPL") and available-for-sale investment ("AFS"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including receivables, amount owing from a director, amounts owing from shareholders, amounts owing from related parties and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Financial assets at FVTPL

A financial asset may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract to be designated as FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in Note 28(c).

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for sale or are not classified as (a) loans and receivables, or (b) financial assets at FVTPL. The Group designated certain items as AFS financial assets on initial recognition.

Equity and debt securities held by Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of the reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's rights to receive the dividends are established.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of 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 current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

The Group's other financial liabilities including payables, amount owing to a director and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. 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 estimates 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 12 months.

Impairment of receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the counterparty and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for receivables are disclosed in Note 20.

6. REVENUE AND SEGMENTAL INFORMATION

Information reported to Mr. Loh Swee Keong, the director of the group entities, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance is based on the following reportable and operating segments identified under IFRS 8 Operating Segments:

a. Manufacturing and trading – manufacturing and trading of precast concrete junction boxes; and

b. Other building materials and services – trading of accessories and pipes and provision of mobile crane rental and ancillary services.

No operating segments identified by the CODM have been aggregated in arriving at the reportable segment of the Group.

Segment revenues and results

For the year ended 31 May 2015

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Total *RM'000*
Revenue			
External sales	20,521	2,644	23,165
Inter-segment sales	–	520	520
Segment revenue	20,521	3,164	23,685
Elimination			(520)
Group revenue			23,165
Segment result	6,947	531	7,478
Administrative expenses			(1,255)
Selling and distribution expenses			(1,081)
Finance costs			(98)
Other income			70
Fair value change of financial assets at fair value through profit or loss			(7)
Profit before taxation			5,107

For the year ended 31 May 2016

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Total *RM'000*
Revenue			
External sales	29,089	4,192	33,281
Inter-segment sales	–	846	846
Segment revenue	29,089	5,038	34,127
Elimination			(846)
Group revenue			33,281
Segment result	9,589	340	9,929
Administrative expenses			(2,198)
Selling and distribution expenses			(1,256)
Finance costs			(75)
Other income			154
Fair value change of financial assets at fair value through profit or loss			12
Profit before taxation			6,566

For the nine months ended 29 February 2016 (unaudited)

	Manufacturing and trading *RM'000*	**Other building materials and services** *RM'000*	**Total** *RM'000*
Revenue			
External sales	21,256	3,084	24,340
Inter-segment sales	–	651	651
Segment revenue	21,256	3,735	24,991
Elimination			(651)
Group revenue			24,340
Segment result	7,052	276	7,328
Administrative expenses			(1,322)
Selling and distribution expenses			(1,000)
Finance costs			(54)
Other income			142
Fair value change of financial assets at fair value through profit or loss			18
Profit before taxation			5,112

For the nine months ended 28 February 2017

	Manufacturing and trading *RM'000*	**Other building materials and services** *RM'000*	**Total** *RM'000*
Revenue			
External sales	21,063	3,457	24,520
Inter-segment sales	–	556	556
Segment revenue	21,063	4,013	25,076
Elimination			(556)
Group revenue			24,520
Segment result	7,823	444	8,267
Administrative expenses			(2,022)
Listing expenses			(4,292)
Selling and distribution expenses			(1,088)
Finance costs			(50)
Other income			100
Fair value change of financial assets at fair value through profit or loss			13
Profit before taxation			928

The accounting policies of the operating segments are the same as the Group's accounting policies as described in Note 4. Segment profit represents the profit from each segment without allocation of administrative expenses, listing expenses, selling and distribution expenses, finance costs, other income, fair value change of financial assets at fair value through profit or loss and taxation. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates with certain bulk purchase discount.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

As at 31 May 2015

	Manufacturing and trading	**Other building materials and services**	**Segment assets (liabilities)**	**Unallocated**	**Consolidated assets (liabilities)**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Non-current assets	2,151	568	2,719	–	2,719
Current assets	9,551	3,965	13,516	–	13,516
Non-current liabilities	(223)	–	(223)	(106)	(329)
Current liabilities	(5,637)	(756)	(6,393)	(825)	(7,218)

As at 31 May 2016

	Manufacturing and trading	**Other building materials and services**	**Segment assets (liabilities)**	**Unallocated**	**Consolidated assets (liabilities)**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Non-current assets	2,242	430	2,672	–	2,672
Current assets	11,494	6,696	18,190	–	18,190
Non-current liabilities	(85)	–	(85)	(106)	(191)
Current liabilities	(7,515)	(1,287)	(8,802)	(286)	(9,088)

As at 28 February 2017

	Manufacturing and trading	**Other building materials and services**	**Segment assets (liabilities)**	**Unallocated**	**Consolidated assets (liabilities)**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Non-current assets	2,962	418	3,380	–	3,380
Current assets	12,706	6,634	19,340	4,151	23,491
Non-current liabilities	(459)	–	(459)	(141)	(600)
Current liabilities	(5,351)	(785)	(6,136)	(929)	(7,065)

All assets and liabilities are allocated to operating segments other than certain cash on hand and at bank, deferred listing expenses, other payables, current and deferred tax liabilities.

Other segment information

For the year ended 31 May 2015

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Total *RM'000*
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	15	2	17
Factory rental	278	–	278

For the year ended 31 May 2016

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Total *RM'000*
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	413	–	413
Factory rental	376	–	376

For the nine months ended 29 February 2016 (unaudited)

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Total *RM'000*
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	277	–	277
Factory rental	271	–	271

For the nine months ended 28 February 2017

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Total *RM'000*
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	1,123	–	1,123
Factory rental	320	–	320

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Malaysia based on the location of trading and services delivered and the Group's non-current assets is located in Malaysia by physical location of assets.

Information about major customers

No customer contributing over 10% of total sales of the Group for each of the reporting year/period during the Track Record Period.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Mr. Loh Swee Keong and Mr. Tan Cheng Siong were appointed as directors of the Company on 28 October 2016 and 9 December 2016, respectively. Details of the emoluments paid or payable to the directors of the Company (including emoluments for their services as employees or directors at group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

For the year ended 31 May 2015

	Mr. Loh Swee Keong *RM'000*
Directors	
Other emoluments:	
– Salaries	192
– Contribution to Employees Provident Fund ("EPF") *(Note a)*	36
Total	228

For the year ended 31 May 2016

	Mr. Loh Swee Keong *RM'000*
Directors	
Other emoluments:	
– Salaries	192
– Contribution to EPF *(Note a)*	36
Total	228

For the nine months ended 29 February 2016 (unaudited)

	Mr. Loh Swee Keong *RM'000*
Directors	
Other emoluments:	
– Salaries	144
– Contribution to EPF *(Note a)*	27
Total	171

For the nine months ended 28 February 2017

	Mr. Tan Cheng Siong	Mr. Loh Swee Keong	Total
	RM'000	*RM'000*	*RM'000*
Directors			
Other emoluments:			
– Salaries	84	144	228
– Bonuses	10	–	10
– Contribution to EPF *(Note a)*	11	27	38
Total	105	171	276

Notes:

a. The Group is required by the Malaysian law to make monthly contributions to the EPF, a statutory defined contribution plan for all its eligible employees based on certain prescribed rates of the employees' applicable remuneration. Contributions are charged to profit or loss in the period in which they relate. The contributions to EPF are disclosed separately and the contributions to EPF are included in salaries, bonuses, allowances and other staff benefits. Once the contributions have been paid, the Group has no further payment obligations.

b. No independent non-executive directors were appointed by the Company during the Track Record Period. Mr. Yau Ka Hei, Mr. Chu Kin Ming and Mr. Lee, Alexander Patrick were appointed as independent non-executive directors of the Company on 27 June 2017. No emoluments were paid to any of the independent non-executive directors during the Track Record Period.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Track Record Period included 1, 1, 1 (unaudited) and 2 directors for the year ended 31 May 2015 and 31 May 2016, and the nine months ended 29 February 2016 and 28 February 2017 respectively, details of whose remuneration are set out in Note 7 above. Details of the remuneration for the corresponding periods for the remaining 4, 4, 4 (unaudited) and 3 highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 May		Nine months ended	
			29 February	28 February
	2015	2016	2016	2017
	RM'000	*RM'000*	*RM'000* (unaudited)	*RM'000*
Salaries and allowances	452	446	330	335
Bonuses	20	33	30	20
Contribution to EPF	76	78	36	52
	548	557	396	407

The number of the highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 May		Nine months ended	
			29 February	28 February
	2015	2016	2016 (unaudited)	2017
RM nil to RM500,000 (equivalent to HK$ nil to HK$1,000,000)	5	5	5	5

9. FINANCE COSTS

	Year ended 31 May 2015 RM'000	2016 RM'000	Nine months ended 29 February 2016 RM'000 (unaudited)	28 February 2017 RM'000
Interest on finance leases	51	14	13	21
Interest on term loan	19	23	19	8
Interest on trust receipt loan	20	24	14	12
Interest on bank overdraft	8	14	8	9
	98	75	54	50

10. PROFIT BEFORE TAXATION

	Year ended 31 May 2015 RM'000	2016 RM'000	Nine months ended 29 February 2016 RM'000 (unaudited)	28 February 2017 RM'000
Profit before taxation has been arrived at after charging/ (crediting):				
Auditor's remuneration	25	59	40	42
Cost of inventories recognised as an expense	15,687	23,352	11,577	10,887
Staff costs, excluding directors' remuneration				
Salaries, wages and other benefits	1,997	2,393	1,970	2,380
Contribution to EPF	189	224	168	210
	2,186	2,617	2,138	2,590
Allowance for doubtful debts	–	176	–	–
Bad debts (recovered)/written off	–	(23)	(23)	13
Depreciation of property, plant and equipment	322	325	243	307
Depreciation of investment property	10	10	5	8
Gain on disposal of property, plant and equipment	–	–	–	(13)
Minimum lease payments on rented crane	138	36	27	63
Minimum lease payments on rented land	278	376	271	320
Rental income from investment property	(24)	(25)	(18)	(16)
Interest income	(47)	(33)	(29)	(48)
Unrealised gain on foreign exchange on bank and cash balance	–	–	–	(12)

11. TAXATION

	Year ended 31 May 2015 RM'000	2016 RM'000	Nine months ended 29 February 2016 RM'000 (unaudited)	28 February 2017 RM'000
Malaysia Corporate Income Tax:				
Current year/period	1,266	1,671	1,191	1,252
(Over)/Underprovision in prior years/periods	–	–	–	27
Deferred tax (Note 17):				
Charge for the year/period	12	–	–	50
Overprovision in prior years/periods	(17)	–	–	(15)
	1,261	1,671	1,191	1,314

Malaysia Corporate Income Tax is calculated at the statutory tax rate on the estimated assessable profits for each of the assessable year/period during the Track Record Period.

The taxation for the year/period can be reconciled to the profit before taxation as follows:

	Year ended 31 May 2015 RM'000	2016 RM'000	Nine months ended 29 February 2016 RM'000 (unaudited)	28 February 2017 RM'000
Profit before taxation	5,107	6,566	5,112	928
Statutory tax rate *(Note a)*	25%	24%	24%	24%
Taxation at applicable statutory tax rate	1,276	1,576	1,227	223
Tax saving of 5% *(Note b)*	(62)	(53)	(52)	(51)
Tax effect of expenses not deductible for tax purposes	70	148	16	794
Tax effect of income not taxable for tax purpose	(1)	–	–	(3)
Effect on deferred tax balances due to change in income tax rate from 25% to 24% (effective 1 January 2016)	(5)	–	–	–
Effect of different tax rate of entities operating in other jurisdictions	–	–	–	339
Under provision of income tax payable in prior year/period	–	–	–	27
Overprovision of deferred tax in prior year/period	(17)	–	–	(15)
Taxation for the year/period	1,261	1,671	1,191	1,314

Notes:

a. The Finance (No.2) Act, 2014 in Malaysia gazetted on 30 December 2014 enacts the reduction of corporate income tax rate from 25% to 24% with effect from year of assessment 2016. Accordingly, the applicable tax rates to be used for the measurement of any applicable deferred tax will be the expected rate.

The Finance (No. 3) Act 2017 gazetted on 16 January 2017 reduced the corporate income tax rate from 24% to rates below based on the percentage of increase in chargeable income as compared to the immediate preceeding year of assessment:

Percentage of increase in chargeable income as compared to the immediate preceeding year of assessment	**Percentage point of reduction income tax rate**	**Reduced income tax rate on increase in chargeable income**
		%
Less than 5%	Nil	24
5% – 9.99%	1	23
10% – 14.99%	2	22
15% – 19.99%	3	21
20% and above	4	20

The above changes are effective for year of assessment 2017 and 2018.

b. Under the Income Tax Act 1967 of Malaysia, small and medium enterprises in Malaysia with paid-up capital amounting to RM2,500,000 or less are subject to income tax at the rate of 20%, 19%, 19% (unaudited) and 19% for the year ended 31 May 2015 and 31 May 2016 and the nine months ended 29 February 2016 and 28 February 2017, respectively, on chargeable income amounting to RM500,000 or less. For chargeable income in excess of RM500,000, the corporate income tax rate is 25%, 24%, 24% (unaudited) and 24% for the year ended 31 May 2015 and 31 May 2016 and the nine months ended 29 February 2016 and 28 February 2017, respectively.

12. EARNINGS/(LOSS) PER SHARE

The calculations of basic earnings (loss) per share during the Track Record Period are based on the assumption that the Reorganisation and the Capitalisation Issue (as defined in the Prospectus) as explained in the section headed "Share Capital" and detailed in Appendix IV of the Prospectus, had been in effective on 1 June 2014.

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	Year ended 31 May		**Nine months ended**	
			29 February	**28 February**
	2015	**2016**	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*	*RM'000*
			(unaudited)	
Earnings (Loss)				
Profit (loss) for the year/period for the purpose of basic earnings (loss) per share	3,846	4,895	3,921	(386)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	317,020,000	317,020,000	317,020,000	366,122,000

The weighted average number of shares had been adjusted as if the Capitalisation Issue was completed as at 1 June 2014.

The number of shares for each of the years ended 31 May 2015 and 2016 and the nine months ended 29 February 2016 of 317,020,000, 317,020,000 and 317,020,000 (unaudited) shares, respectively, represents the number of shares held by the Controlling Shareholder, Mr. Loh, upon the completion of the Capitalisation Issue.

The weighted average number of shares for the nine months ended 28 February 2017 of 366,122,000 shares comprise (i) 317,020,000 shares that represents the number of shares held by the Controlling Shareholder, Mr. Loh upon the completion of the Capitalisation Issue and (ii) 49,102,000 shares that represents the number of shares held by the pre-IPO Investor upon the completion of the Capitalisation Issue after adjusting for time-weighting factor which reflects the capital contribution from the pre-IPO Investor on 11 November 2016.

No diluted earnings (loss) per share is presented as there was no potential dilutive ordinary share in issue during the Track Record Period.

13. DIVIDEND

Interim dividend of RM855,000, RM700,000 (unaudited) and RM2,000,000 were declared during the year ended 31 May 2015, 29 February 2016 and 31 May 2016, respectively. The rate of dividend and number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this report having regard to the Reorganisation that has not completed as at 31 May 2016.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building	Plant and machinery	Motor vehicles	Renovation	Mould	Factory	Office equipment	Computer software	Construction in progress	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Cost										
At 1 June 2014	365	1,502	1,124	162	251	151	631	19	–	4,205
Additions	–	–	–	–	7	–	10	–	–	17
At 31 May 2015	365	1,502	1,124	162	258	151	641	19	–	4,222
Additions	–	–	126	61	–	11	21	–	194	413
At 31 May 2016	365	1,502	1,250	223	258	162	662	19	194	4,635
Additions	–	460	362	160	44	70	27	–	–	1,123
Disposal	–	–	(413)	–	–	–	–	–	–	(413)
Reclassification	–	194	–	–	–	–	–	–	(194)	–
At 28 February 2017	365	2,156	1,199	383	302	232	689	19	–	5,345
Accumulated depreciation										
At 1 June 2014	89	796	337	84	98	58	249	16	–	1,727
Depreciation for the year	7	101	108	9	26	15	55	1	–	322
At 31 May 2015	96	897	445	93	124	73	304	17	–	2,049
Depreciation for the year	7	93	119	11	26	15	53	1	–	325
At 31 May 2016	103	990	564	104	150	88	357	18	–	2,374
Depreciation for the period	5	107	95	25	20	16	38	1	–	307
Disposal	–	–	(313)		–	–	–	–	–	(313)
At 28 February 2017	108	1,097	346	129	170	104	395	19	–	2,368
Carrying value										
At 31 May 2015	269	605	679	69	134	78	337	2	–	2,173
At 31 May 2016	262	512	686	119	108	74	305	1	194	2,261
At 28 February 2017	257	1,059	853	254	132	128	294	–	–	2,977

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and building	2%
Plant and machinery	10%
Motor vehicles	10%
Renovation	10%
Mould	10%
Factory	10%
Office equipment	10%
Computer software	20%

The following are the carrying value of the assets held under finance leases included in property, plant and equipment:

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Motor vehicles	637	377	711
Plant and machinery	305	–	445
Office equipment	160	–	–
	1,102	377	1,156

The Group has pledged leasehold land and building with a carrying value of approximately RM269,000, RM262,000 and RM257,000 as at 31 May 2015, 31 May 2016 and 28 February 2017, respectively, to secure general banking facilities granted to the Group as disclosed in Note 25.

15. INVESTMENT PROPERTY

	RM'000
Cost	
At 1 June 2014, 31 May 2015, 31 May 2016 and 28 February 2017	450
Accumulated depreciation	
At 1 June 2014	19
Charge for the year	10
At 31 May 2015	29
Charge for the year	10
At 31 May 2016	39
Charge for the period	8
At 28 February 2017	47
Carrying value	
At 31 May 2015	421
At 31 May 2016	411
At 28 February 2017	403

The investment property, comprising of a freehold land and building in Malaysia, is depreciated on a straight-line basis over 50 years.

Rental income earned by the Group from the investment property of which is leased out under operating leases, amounted to approximately RM24,000, RM25,000, RM18,000 and RM16,000 for the year ended 31 May 2015 and 31 May 2016 and the nine months ended 29 February 2016 and 28 February 2017, respectively. Direct operating expenses incurred in respect of the investment property amounted to RM681, RM681, RM613 (unaudited) and RM887 for the year ended 31 May 2015 and 31 May 2016 and the nine months ended 29 February 2016 and 28 February 2017, respectively.

Fair value of the Group's investment property at 31 May 2015 and 31 May 2016 and 28 February 2017 were RM690,000, RM690,000 and RM690,000, respectively. The fair values of the investment property at 31 May 2015, 31 May 2016 and 28 February 2017 have been arrived at on the basis of a valuation carried out on those dates by Messrs. Laurelcap Sdn. Bhd. (the "Valuers"), Suite E-7-2, East Wing, Subang Square, Jalan SS 15/4G, Subang Jaya, 47630, Subang Jaya, Selangor, 47500, Malaysia, using the comparison method by referring to recent transactions involving similar properties in the vicinity. The Valuers are independent qualified professional valuers not connected with the Group, and are members of the Board of Valuers, Appraisals & Estate Agency, Malaysia. The valuation is a Level 3 fair value estimation throughout the Track Record Period. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

16. AVAILABLE-FOR-SALE INVESTMENT

	As at 31 May 2015	2016	As at 28 February 2017
	RM'000	*RM'000*	*RM'000*
Unlisted investment, at cost	125	–	–

Name of company	Place of incorporation and operation	Issued and fully paid-up share capital	Proportion of nominal value of the issued share capital and voting power held by the Company: as at 31 May 2015	as at 31 May 2016	as at 28 February 2017	Principal activities
		RM'000	%	%	%	
CHE Group Berhad	Malaysia	34	0.1	–	–	Investment holding and engineering, procurement and construction of renewable power plant

The unlisted investments are measured at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably.

During the year ended 31 May 2016, Target S&M has disposed of the available-for-sale investment to Mr. Loh Swee Keong, for a consideration of RM125,000, which was completed on 25 September 2015 and the payment was settled on 25 November 2015.

17. DEFERRED TAX LIABILITIES

	As at 31 May		As at 28 February
	2015	2016	2017
	RM'000	*RM'000*	*RM'000*
At beginning of the year/period	(111)	(106)	(106)
Credit/(charge) to profit or loss *(Note 11)*:			
Property, plant and equipment	5	–	(35)
At end of the year/period	(106)	(106)	(141)

The deferred tax assets and liabilities mainly represents the temporary differences arising from property, plant and equipment.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 May		As at 28 February
	2015	2016	2017
	RM'000	*RM'000*	*RM'000*
Unit trust funds in Malaysia, at fair value	823	835	–

19. INVENTORIES

	As at 31 May		As at 28 February
	2015	2016	2017
	RM'000	*RM'000*	*RM'000*
At cost:			
Raw materials and consumables	392	600	497
Finished goods	390	449	514
	782	1,049	1,011

20. RECEIVABLES, DEPOSITS AND PREPAYMENT

	As at 31 May		As at 28 February
	2015	2016	2017
	RM'000	*RM'000*	*RM'000*
Trade receivables	8,425	11,630	10,409
Less: Allowance for doubtful debts	–	(176)	(176)
	8,425	11,454	10,233
Other receivables	196	52	33
Deposits	85	88	319
Prepayments	24	5	53
Deferred listing expenses	–	–	1,604
	8,730	11,599	12,242

The amounts due from trade debtors are unsecured, do not carry any interest and the credit term granted by the Group ranges from 30 to 120 days throughout the Track Record Period.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date.

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
1 – 30 days	2,178	1,988	3,479
31 – 60 days	1,915	2,741	1,709
61 – 90 days	2,511	2,666	1,523
91 – 120 days	728	1,365	1,102
More than 120 days	1,093	2,694	2,420
	8,425	11,454	10,233

As of 31 May 2015, 31 May 2016 and 28 February 2017, trade receivables of RM4,332,000, RM6,584,000 and RM3,654,000, respectively, were past due but not impaired. These relate to a number of diversified customers for whom there was no recent history of default and have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as these balances were either subsequently settled or there has not been a significant change in credit quality and the balances are still considered recoverable.

The following is an ageing of trade receivables which are past due but not impaired based on invoice date.

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
31 – 60 days	–	–	18
61 – 90 days	2,511	2,556	189
91 – 120 days	728	1,334	1,027
More than 120 days	1,093	2,694	2,420
	4,332	6,584	3,654

The movement in allowance for doubtful debts:

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
At beginning of the year/period	–	–	176
Impairment losses recognised	–	176	–
At end of the year/period	–	176	176

Included in allowance for doubtful debt one individually impaired trade receivables with an aggregate balance of approximately RM176,000 as at 31 May 2016 and 28 February 2017 which have been placed in severe financial difficulties. The Group does not hold any collateral over these balances.

21. AMOUNTS OWING FROM/(TO) A DIRECTOR AND RELATED PARTIES AND SHAREHOLDERS

	As at 1 June	As at 31 May		As at 28 February
	2014	2015	2016	2017
	RM'000	*RM'000*	*RM'000*	*RM'000*
Amount owing from a director				
Mr. Loh Swee Keong	–	50	177	–
Amounts owing from related parties	–	60	–	–
Amounts owing from shareholders	–	–	–	15
	–	110	177	15
Less: Amount owing within one year shown as current assets	–	(110)	(177)	(15)
	–	–	–	–
Amount owing to a director				
Mr. Loh Swee Keong	–	–	–	590
Less: Amount owing within one year shown as current liabilities	–	–	–	(590)
	–	–	–	–

The maximum amount outstanding during the Track Record Period are as follows:

	Year ended 31 May		Nine months ended 28 February
	2015	2016	2017
	RM'000	*RM'000*	*RM'000*
Mr. Loh Swee Keong	50	479	177
Related parties	60	60	4
Shareholders	–	–	15

The amounts owing from/(to) a director is non-trade nature, unguaranteed, unsecured, interest free and repayable on demand. As at 28 February 2017, including in the amount owing to a director of RM570,000 represents the unpaid balance of the acquisition of the subsidiaries.

The amounts owing from related parties arose from payment made on behalf of the related parties, unsecured, interest free and repayable on demand. The related parties are companies in which Mr. Loh Swee Keong, a director of the Company, has significant influence.

The amounts owing from shareholders is non-trade nature, unsecured, interest free and repayable on demand.

The Directors of the Company have represented that all the amounts owing from/(to) a director and shareholders will be fully settled prior to the listing of the Company's shares.

22. SHORT TERM BANK DEPOSITS PLEDGED WITH BANKS

Short term bank deposits with an original maturity of three months or less carry interest at prevailing market rate of 3.15%, 3.30% and 3.15% per annum as at 31 May 2015, 31 May 2016 and 28 February 2017, respectively. The short term bank deposits are pledged to secure general banking facilities granted to the Group as disclosed in Note 25.

23. PAYABLES AND ACCRUED CHARGES

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Trade payables	4,710	4,810	3,810
Other payables	726	923	775
Accrued charges	275	163	276
Tenant's deposit	4	4	4
Advance from customers	–	210	107
	5,715	6,110	4,972

The following is an aged analysis of trade payables presented based on the invoice dates.

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
1 – 30 days	1,416	1,451	1,156
31 – 60 days	1,264	1,811	1,107
61 – 90 days	1,710	1,278	1,089
91 – 120 days	320	244	182
Over 120 days	–	26	276
	4,710	4,810	3,810

The average credit period on purchases of goods is 30 to 75 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Tenant deposits represent the refundable deposits to tenants upon termination or cancellation of operating lease arrangements. The tenant deposits are refundable to tenants within 60 days upon the termination of the tenancy agreement. The tenants' deposits to be settled after twelve months from the end of the reporting periods based on the lease terms amounted to RM4,000, RM4,000 and RM4,000 as at 31 May 2015, 31 May 2016 and 28 February 2017, respectively.

24. FINANCE LEASES

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Analysed for reporting purposes as:			
Current liabilities	259	93	215
Non-current liabilities	100	69	459
	359	162	674

It is the Group's policy to lease certain of its motor vehicles, plant and machinery and office equipment. The directors of the Company determined the leases to be finance leases as the ownership of the relevant assets will be transferred to the Group upon the payment of the last instalment of the individual agreement. The average lease term is 3, 4 and 5 years as at 31 May 2015, 31 May 2016 and 28 February 2017, respectively. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 4.50% to 7.10%, 6.25% to 7.10% and 4.70% to 7.10% per annum for the year ended 31 May 2015 and 31 May 2016 and the nine months ended 28 February 2017, respectively.

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Total outstanding:			
Not later than one year	272	104	251
Later than one year and not later than five years	105	76	495
	377	180	746
Less: Financial charges	(18)	(18)	(72)
Principal outstanding	359	162	674
Less: Amount due for settlement within 12 months (Shown under current liabilities)	(259)	(93)	(215)
Amount due for settlement after 12 months	100	69	459

Finance leases are denominated in RM. Certain finance leases are guaranteed by Mr. Loh Swee Keong, a director of the Company and Ms. Loh Lily, the sibling of Mr. Loh Swee Keong. The directors of the Company represent that such guarantee will be released in the foreseeable future.

25. BANK BORROWINGS

	As at 31 May		As at 28 February
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Current – secured			
Term loan	107	115	–
Trust receipt loan	250	285	–
Bank overdraft	62	199	–
Carrying amounts of bank borrowings repayable within one year	419	599	–
Non-current – secured term loan repayable			
within a period of more than one year but not more than two years	117	16	–
within a period of more than two years but not more than five years	6	–	–
	542	615	–

The term loan bears interest rate at Base Lending Rate ("BLR") plus 1.5% per annum as at 31 May 2015 and 31 May 2016.

The trust receipt loan bears interest rate at Islamic Base Rate ("IBR") plus 1.5% per annum as at 31 May 2015 and 31 May 2016.

The bank overdraft bears interest rate at IBR plus 1.5% per annum as at 31 May 2015 and 31 May 2016.

The bank borrowings facilities are secured by:

(i) leasehold land and building with carrying amount of RM269,000, RM262,000, and RM257,000 as at 31 May 2015, 31 May 2016 and 28 February 2017 respectively;

(ii) fixed deposit of RM1,319,000, RM1,349,000 and RM1,053,000 as at 31 May 2015, 31 May 2016 and 28 February 2017 respectively; and

(iii) personal guarantee by Mr. Loh Swee Keong, a director of the Company and the directors of the Company represent that such guarantee will be released in the foreseeable future.

26. INFORMATION ON THE COMPANY

On 28 October 2016, the Company was incorporated and registered as an exempted company in the Cayman Islands with an authorised share capital of HK$380,000 comprising 38,000,000 ordinary shares of HK$0.01 each and paid up share capital of HK$0.01 comprising 1 ordinary share of HK$0.01 each.

On 11 November 2016, Merchant World Investments Limited and Greater Elite transferred 1,000 and 388 ordinary shares of Gallant Empire to the Company respectively, and in consideration thereof, the Company allotted and issued as fully paid an additional 7,204 ordinary shares to Merchant World Investments Limited and 2,795 ordinary shares to Greater Elite. After the said transfers, Gallant Empire became a wholly-owned subsidiary of the Company.

Including in the statement of financial position as at 28 February 2017, the amount owing from shareholders and amount owing to subsidiaries are unsecured, interest-free and repayable on demand.

The loss for the period from 28 October 2016 (date of incorporation) to 28 February 2017 mainly comprise of the listing fee of RM4,292,000 incurred during the period. Movement of reserve is disclosed on page I-7.

No dividend was paid or declared by the Company since its incorporation.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of finance leases, bank borrowings and equity balance. Equity balance consists of equity attributable to owners of the Company, comprising share capital and retained profits.

The management of the Group reviews the capital structure on an on-going annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt and repayment of debt.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 May		As at 28 February
	2015	2016	2017
	RM'000	*RM'000*	*RM'000*
Financial assets			
Loans and receivables (including bank balances and cash)	11,887	16,301	20,724
Financial assets at FVTPL	823	835	–
Available-for-sale investments	125	–	–
Financial liabilities			
Amortised cost	6,257	8,725	6,492

(b) Financial risk management objectives and policies

The Group's major financial instruments and details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the Group's bank balances as well as variable-rate bank borrowings.

The Group currently does not have interest rate hedging policy. However, management closely monitors its exposure to future cash flow interest rate risk as a result of changes in market interest rates and will consider hedging changes in market interest rates should the need arise.

Sensitivity analysis

No sensitivity analysis is provided on bank balances and bank borrowings as the management of the Company considers that the interest rate fluctuation on bank balances and bank borrowings are minimal and the impact from the exposure to interest rate risk sensitivity is considered insignificant.

Credit risk

The Group's exposure to credit risk is primarily due to the collectability risk of the trade receivables. The length of the credit period granted by the Group will depend on the customers' scale of operation, reputation and credibility. The Group performs on-going credit evaluation on the financial condition on trade debtors and tightly monitors the overdue debts. The Group would take necessary follow up action in case of long outstanding or when the above credit evaluation results draw the attention of the management. In addition, the management reviews the recoverable amount of the trade receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the Track Record Period and are considered to be effective in limiting our exposure to credit risk.

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group has no significant concentration of credit risk with its exposure spread over a large number of customers.

The credit risk on liquid funds of the Group is limited because the counterparties are banks with good credit rating and the Group have limited exposure to any single financial institution.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities which has been drawn up based on the undiscounted cash flows of the non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for the financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows, To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate	On demand or less than 12 months	1-2 years	Over 2 years	Total undiscounted cash flows	Total carrying amount
	%	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
As at 31 May 2015						
Payables and accrued charges	–	5,715	–	–	5,715	5,715
Finance leases	4.50% to 7.10%	272	105	–	377	359
Bank borrowings	3.35% to 9.0%	445	122	8	575	542
		6,432	227	8	6,667	6,616
As at 31 May 2016						
Payables and accrued charges	–	6,110	–	–	6,110	6,110
Finance leases	6.25% to 7.10%	104	18	58	180	162
Bank borrowings	3.35% to 9.0%	623	16	–	639	615
Dividend payable	–	2,000	–	–	2,000	2,000
		8,837	34	58	8,929	8,887
As at 28 February 2017						
Payables and accrued charges	–	4,972	–	–	4,972	4,972
Amount owing to a director	–	590	–	–	590	590
Finance leases	4.70% to 7.10%	251	380	115	746	674
Dividend payable	–	930	–	–	930	930
		6,743	380	115	7,238	7,166

(c) Fair value of the Group's financial assets and financial liabilities

(i) Fair value of the Group's financial assets at fair value through profit or loss is determined in accordance with the quoted prices in over-the-counter market. This valuation falls under Level 2 of the fair value hierarchy and is based on the monthly reports provided by the fund manager, which represent the fair value of the mutual fund.

(ii) The directors of the Company consider that the carrying amounts of other financial assets and other financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values. Fair values of the other financial assets and other financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

29. LEASE COMMITMENT

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 May		**As at 28 February**
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Within one year	30	30	30

Operating lease payments represent rentals payable by the Group for a piece of land. The lease is negotiated for a team of 3 years and is cancellable on giving a notice of 3 months. The rental is fixed for the 3 years.

The Group as lessor

The property held has committed tenants are negotiated annually.

At the end of the reporting period, the Group had contracted with a tenant for the following future minimum lease payments:

	As at 31 May		**As at 28 February**
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Within one year	16	22	7
In the second to fifth years inclusive	–	2	–
	16	24	7

30. CAPITAL COMMITMENT

At the end of the reporting period, the Group had the following capital commitments in respect of the acquisition of property, plant and equipment:

	As at 31 May		**As at 28 February**
	2015	**2016**	**2017**
	RM'000	*RM'000*	*RM'000*
Contracted but not provided for	–	–	270

31. NON CASH TRANSACTION

Addition of property, plant and equipment of RM100,000 during the year ended 31 May 2016 and RM729,000 during the nine months ended 28 February 2017 was financed by new finance lease agreements.

32. INTERESTS IN SUBSIDIARIES

During the Track Record Period and as at the date of this report, the Company has direct and indirect shareholders/equity interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Group as at 31 May 2015	31 May 2016	28 February 2017	The date of this report	Principal activities
Target Precast Industries Sdn. Bhd.	Malaysia 1 March 1993	RM500,000	100%	100%	100%	100%	Manufacturing and trading of precast concrete junction boxes
Target Sales & Marketing Sdn. Bhd.	Malaysia 8 February 2000	RM70,002	100%	100%	100%	100%	Trading of precast concrete junction boxes and accessories and pipes
Target Crane & Logistic Sdn. Bhd.	Malaysia 12 March 2012	RM100	100%	100%	100%	100%	Provision of mobile crane rental and ancillary services
Gallant Empire Limited*	British Virgins Island 5 July 2016	US$1,000	–	–	100%	100%	Investment holding
SK Target Holdings Sdn. Bhd.	Malaysia 24 August 2016	RM100	–	–	100%	100%	Investment holding
Loyal Earn Limited	Hong Kong 1 June 2016	HK$1	–	–	100%	100%	Inactive

* Directly held by the Company

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 May as their financial year end date.

Notes:

No statutory financial statements have been prepared for the Company and Gallant Empire since their dates of incorporation as they were incorporated in a jurisdiction where there are no statutory audit requirements. No statutory financial statements have been prepared for SK Target Holdings and Loyal Earn as they have not reached the statutory time imposed on the issuance of its first set of financial statements.

The statutory financial statements of Target Precast, Target S&M and Target C&L (collectively referred to the "Subsidiaries") prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"), were audited by UHY, Chartered Accountants in Malaysia, for the period ended 31 May 2015 and Deloitte, Chartered Accountants in Malaysia, for the year ended 31 May 2016.

The financial year end date of Target S&M and Target C&L were changed from 31 January 2015 and 31 March 2015, respectively, to 31 May 2015 because the directors of Target S&M and Target C&L determined to bring their financial year end dates in line with that of other group companies.

33. PERFORMANCE GUARANTEE

As at 28 February 2017, the Group has provided a performance guarantee in respect of a project signed with Telekom Malaysia Berhad, a customer, amounting to RM584,000 for securing the contract. This guarantee were to be discharged upon the completion of the project.

34. RELATED PARTIES TRANSACTIONS

(a) During the Track Record Period, the Group entered into the following transactions with related parties:

During the year ended 31 May 2016, Target S&M has disposed of the available-for-sale investment to Mr. Loh Swee Keong, a director of the Company, for a consideration of RM125,000 as disclosed in Note 16.

During the Track Record Period, Mr. Loh Swee Keong, a director of the Company, and Ms. Loh Lily, the sibling of Mr. Loh Swee Keong, have provided financial guarantees to certain subsidiaries of the Group as disclosed in Notes 24 and 25.

(b) Balances with related parties are disclosed in page I-5 and in Note 21.

(c) The remuneration paid or payable to the key management personnel, being the directors of the Company, during the Track Record Period is included in Note 7. The remuneration of key management personnel is determined with reference to the performance of the individuals and market trends.

35. SUBSEQUENT EVENTS

(a) Capitalisation issue

Pursuant to the written resolutions passed by the shareholders of the Company on 27 June 2017, conditional upon the crediting of the Company's share premium account as a result of the issue of the Offer Shares (defined in the Prospectus), the directors of the Company were authorised to capitalise an amount of approximately HK$4,399,900 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 439,990,000 shares for allotment and issue to the shareholders as of 27 June 2017.

(b) Share option scheme

Pursuant to the written resolutions passed by the shareholders of the Company on 27 June 2017, the Company has conditionally adopted a share option scheme (the "Share Option Scheme"). The principal terms of which are summarised under the section headed "D. Share Option Scheme" in Appendix IV to the Prospectus. No option was granted as at the date of this report.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Group or any of the companies comprising the Group subsequent to 28 February 2017.

*The information set forth in this appendix does not form part of the accountants' report on the financial information of the Group for each of the two years ended 31 May 2016 and the nine months ended 28 February 2017 (the "**Accountants' Report**") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included in this prospectus for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.*

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer on the consolidated net tangible assets of the Group attributable to owners of the Company as at 28 February 2017 as if the Share Offer had taken place on that date.

The statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Share Offer been completed as at 28 February 2017 or at any future dates. It is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 28 February 2017 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 28 February 2017	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 28 February 2017**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 28 February 2017 per Share**
	RM'000	*RM'000*	*RM'000*	*RM*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the Offer Price of HK$0.31 per Share	19,206	24,245	43,451	0.07
Based on the Offer Price of HK$0.25 per Share	19,206	18,246	37,452	0.06

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 28 February 2017 is based on the consolidated net assets of the Group attributable to owners of the Company of RM19,206,000 extracted from the Accountants' Report set forth in Appendix I to this prospectus.

2. The adjustment to the pro forma statement of consolidated net tangible assets of the Group reflects the estimated net proceeds from the Share Offer to be received by the Company. The estimated net proceeds from the Share Offer is based on 180,000,000 Shares at the Offer Price of HK$0.25 and HK$0.31 per Share, being the low-end and high-end of the stated Offer Price range, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 28 February 2017 and does not take into account of any Share which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme, or any Share which may be issued or repurchased pursuant to the Company's general mandate.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is based on 620,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer. It does not take into account of any Share which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme, or any Share which may be issued or repurchased pursuant to the Company's general mandate.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 28 February 2017 to reflect any trading result or other transactions of the Group entered into subsequent to 28 February 2017.

5. Malaysian ringgit is converted into Hong Kong dollars at an exchange rate of RM1 to HK$1.7462, which was the exchange rate prevailing on 28 February 2017. No representation is made that Malaysian ringgit amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at all.

B. UNAUDITED PRO FORMA ESTIMATED LOSS PER SHARE

The following unaudited pro forma estimated loss per Share for the year ended 31 May 2017 has been prepared in accordance with Rule 7.31 of the GEM Listing Rules and on the basis set out in the notes below for the purpose of illustrating the effect of the Share Offer, as if it had taken place on 1 June 2016. The unaudited pro forma estimated loss per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ended 31 May 2017 or for any future periods following the Share Offer.

Estimated consolidated loss attributable to owners of the Company for the year ended 31 May 2017 *(Note 1)*	not more than RM1.2 million
Unaudited pro forma estimated loss per Share for the year ended 31 May 2017 *(Note 2)*	not more than RM0.2 cent

Notes:

1. The bases on which the above loss estimate has been prepared are summarised in Appendix IIB to this prospectus. The Directors have prepared the estimated consolidated loss attributable to owners of the Company for the year ended 31 May 2017 based on the audited consolidated results of the Group for the nine months ended 28 February 2017 and the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 May 2017.

2. The calculation of the unaudited pro forma estimated loss per Share is based on the estimated consolidated loss attributable to owners of the Company for the year ended 31 May 2017 and on the assumption that a total of 620,000,000 shares, including 180,000,000 Offer Shares were in issue by assuming that the Share Offer and the Capitalisation Issue had been completed on 1 June 2016, without taking into account any shares which may be issued or repurchased by the Company pursuant to the "Share Option Scheme", "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" detailed under the section headed "Share Capital" in this prospectus, as applicable.

(C) ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS' ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of SK Target Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of SK Target Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 28 February 2017 and the unaudited pro forma estimated loss per share for the year ended 31 May 2017 and related notes as set out on pages IIA-1 to IIA-3 of Appendix IIA to the prospectus issued by the Company dated 6 July 2017 (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IIA-1 to IIA-3 of Appendix IIA to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of share offer ("**Share Offer**") on the Group's financial position as at 28 February 2017 and the Group's loss per share for the year ended 31 May 2017 as if the proposed Share Offer had taken place at 28 February 2017 and 1 June 2016, respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the two years ended 31 May 2016 and the nine months ended 28 February 2017, on which an accountants' report set out in Appendix I to the Prospectus has been published and information about the estimate of the consolidated loss of the Group attributable to owners of the Company for the year ended 31 May 2017, on which no auditor's report or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 28 February 2017 or 1 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related 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' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 6 July 2017

Our estimate of the consolidated loss for the year ended 31 May 2017 is set out in the section headed "Financial Information – Loss estimate for the year ended 31 May 2017" in this prospectus.

(A) LOSS ESTIMATE FOR THE YEAR ENDED 31 MAY 2017

Our Directors have prepared the estimate of the consolidated loss of the Group for the year ended 31 May 2017 based on the audited consolidated results of the Group for the nine months ended 28 February 2017 and the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 May 2017. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarised in the accountants' report, the text of which is set out in Appendix I to this prospectus.

Loss estimate for the year ended 31 May 2017

	Estimate for the year ended 31 May 2017
Estimated consolidated loss attributable to owners of the Company	not more than RM1.2 million

Note: *The estimated consolidated loss attributable to owners of the Company for year ended 31 May 2017 has taken into account of the expected listing expenses to be incurred during year ended 31 May 2017.*

(B) LETTER FROM THE REPORTING ACCOUNTANTS

Deloitte. 德勤

35/F One Pacific Place
88 Queensway
Hong Kong

6 July 2017
The Board of Directors
SK Target Group Limited
18, Jalan LP 2A/2,
Taman Lestari Perdana
43300 Seri Kembangan
Selangor, Darul Ehsan
Malaysia

RHB Capital Hong Kong Limited
12/F., World-Wide House
19 Des Voeux Road Central
Hong Kong

Dear Sirs,

SK Target Group Limited ("the Company")

Loss Estimate for Year Ended 31 May 2017

We refer to the estimate of the consolidated loss of the Company and its subsidiaries (collectively referred to as the "Group") attributable to equity holders of the Company for the year ended 31 May 2017 (the "Loss Estimate") set forth in the section headed "Loss Estimate" in the prospectus of the Company dated 6 July 2017 (the "Prospectus").

Directors' Responsibilities

The Loss Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Group for the nine months ended 28 February 2017 and the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 May 2017.

The Company's directors are solely responsible for the Loss Estimate.

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 Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Loss Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Loss Estimate in accordance with the bases adopted by the directors and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix IIB of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 6 July 2017, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE SPONSOR

The following in the text of a report, prepared for inclusion in this prospectus, received from RHB Capital Hong Kong Limited, the Sole Sponsor, in connection with the loss estimate for the year ended 31 May 2017.

RHB Capital Hong Kong Limited

The Board of Directors
SK Target Group Limited
No. 18, Jalan LP 2A/2
Taman Lestari Perdana
43300 Seri Kembangan
Selangor, Darul Ehsan
Malaysia

6 July 2017

Dear Sirs,

We refer to the estimate of the consolidated loss of SK Target Group Limited (the "**Company**", together with its subsidiaries, hereinafter collectively referred to as the "**Group**") for the year ended 31 May 2017 (the "**Loss Estimate**") as set out in the prospectus issued by the Company dated 6 July 2017 (the "**Prospectus**").

The Loss Estimate, for which the Directors are solely responsible, has been prepared by the Directors based on the audited consolidated results of the Group for the nine months ended 28 February 2017 and the unaudited consolidated results of the Group based on the management accounts of the Group for the three months ended 31 May 2017.

We have discussed with you the bases as set out in Part (A) of Appendix IIB to the Prospectus to the extent applicable, upon which the Loss Estimate has been made. We have also considered the letter dated 6 July 2017 addressed to you and us from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Loss Estimate has been made.

On the basis of the information comprising the Loss Estimate and the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Loss Estimate, for which the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of
RHB Capital Hong Kong Limited

Derek Cheng	**Steven Wu**
Managing Director and Head of Investment Banking	*Director Corporate Finance*

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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 28 October 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. Memorandum of Association

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. Articles of Association

The Articles were adopted on 27 June 2017. A summary of certain provisions of the Articles is set out below.

2.1 Shares

2.1.1 Classes of shares

The share capital of the Company consists of ordinary shares.

2.1.2 Variation of rights of existing shares or classes of shares

Subject to the Cayman 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 shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.1.3 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.

2.1.4 Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

2.1.5 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.

2.1.6 Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

2.1.7 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.

2.2 Directors

2.2.1 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.

The office of a Director shall be vacated if he:

(a) resign;

(b) dies;

(c) is declared to be of unsound mind and the Board resolves that his office be vacated;

(d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(e) he is prohibited from being or ceases to be a director by operation of law;

(f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(g) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(h) 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.

2.2.2 Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

2.2.3 Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

2.2.4 Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

2.2.5 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.

2.2.6 Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

2.2.7 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.

2.2.8 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:

(a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any proposal or arrangement concerning the benefit of employees of the Company or 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

(e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.2.9 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.

2.3 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.

2.4 Meetings of member

2.4.1 Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

2.4.2 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 GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (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 GEM 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.

2.4.3 Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

2.4.4 Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM 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:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(b) 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.

2.4.5 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

2.4.6 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.

2.5 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.6 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

2.6.1 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;

2.6.2 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

2.6.3 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:

(a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. 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.

2.7 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.

2.8 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3.6 of this Appendix.

2.9 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

2.9.1 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

2.9.2 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 Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.10 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. Cayman Islands Company Law

The Company was incorporated in the Cayman Islands as an exempted company on 28 October 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 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.

3.2 Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

3.2.1 paying distributions or dividends to members;

3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;

3.2.3 any manner provided in section 37 of the Cayman Companies Law;

3.2.4 writing-off the preliminary expenses of the company; and

3.2.5 writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, 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.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and 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.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions 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.

3.7 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).

3.8 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.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

3.10.1 no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

3.10.2 no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(a) on or in respect of the shares, debentures or other obligations of the Company; or

(b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 14 March 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 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.

3.12 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.

3.13 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.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. 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.

3.15 Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 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.

3.17 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.

3.18 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.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. General

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section 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 AND OUR SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 October 2016. Our Company has established a principal place of business in Hong Kong at Units 2201-3, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong, and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 16 December 2016. In connection with such registration, Ms. Chau Wing Kei has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law. Its constitution documents comprise its Memorandum of Association and Articles of Association. A summary of certain provisions of its constitution documents and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in authorised and issued share capital of our Company

(a) Our Company was incorporated in the Cayman Islands on 28 October 2016 as an exempted company with limited liability under the Companies Law. At the time of incorporation, our Company had an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, of which one Share was allotted and issued as fully paid to an initial subscriber at par, which was transferred to Merchant World on the same date.

(b) On 11 November 2016, our Company acquired the entire issued share capital of Gallant Empire from Merchant World and Greater Elite. In consideration thereof, our Company allotted and issued as fully paid 7,204 Shares to Merchant World and 2,795 Shares to Greater Elite.

(c) Pursuant to the written resolutions of the Shareholders passed on 27 June 2017, the authorised share capital of our Company was increased from HK$380,000 to HK$100,000,000 by the creation of a further 9,962,000,000 Shares.

(d) Immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme), 620,000,000 Shares will be allotted and issued, all fully paid or credited as fully paid, and 9,380,000,000 Shares will remain unissued. Other than options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in "A. Further information about our Company and our subsidiaries – 3. Written resolutions of the Shareholders" in this Appendix, our Directors have no present intention to issue any part of the authorised but unissued capital of our Company, and without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(e) Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of the Shareholders

Pursuant to the written resolutions passed by all Shareholders on 27 June 2017, *inter alia*:

(a) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each by the creation of an additional 9,962,000,000 Shares of HK$0.01 each;

(b) conditional on the conditions as set out in the section headed "Structure and Conditions of the Share Offer" of this prospectus:

(i) the Share Offer was approved and our Directors were authorised to (aa) allot and issue the Offer Shares; (bb) implement the Share Offer and the listing of Shares on GEM; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;

(ii) conditional on the share premium account of our Company being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise a maximum amount of HK$4,399,900 standing to the credit of the share premium account of our Company and to apply such amount in paying up in full a total of 439,990,000 Shares for allotment and issue, credited as fully paid at par and rank *pari passu* in all respects with each other and the existing issued Shares (except entitlement to the Capitalisation Issue), to Merchant World and Greater Elite, and our Directors were authorised to give effect to such capitalisation and distribution;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in "D. Share Option Scheme" 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 options that may be granted under the Share Option Scheme and to take all such steps as may be necessary desirable or expedient to implement the Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our Shareholders in general meeting, Shares with an aggregate number not exceeding (1) 20% of the aggregate number of issued shares of our Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any options which may be granted under the Share Option Scheme); and (2) the aggregate number of shares repurchased under the Repurchase Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or

(3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to 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 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 number of issued shares of our Company immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or

(3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;

(vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate number of shares of our Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of the aggregate number of issued shares of our Company repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (v) above provided that such extended amount shall not exceed 10% of the aggregate number of issued Shares of our Company immediately following the completion of the Share Offer and the Capitalisation Issue excluding any Shares which may be issued upon exercise of options that may be granted under the Share Option Scheme; and

(vii) our Company approved and adopted the Memorandum of Association and Articles of Association, the terms of which are summarised in Appendix III to this prospectus.

4. Reorganisation

The companies comprising our Group underwent a Reorganisation in preparation for the Listing, details of which are set out in the section headed "History and Development – Reorganisation" of this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

Diagrams showing our Group's structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (assuming that no Share has been allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme) are set out in the section headed "History and Development – Reorganisation" of this prospectus.

5. Changes in share capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section headed "History and Development – Establishment and development of our Company and its major subsidiaries" of this prospectus, there was no change in the share capital of the major subsidiaries of our Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on GEM must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the Shareholders on 27 June 2017, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase the Shares as described above in the paragraph headed "3. Written resolutions of the Shareholders" in this Appendix.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium accounts of our Company, or if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate number of shares in issue of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled upon the repurchase and the relevant certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares if not held by the company as treasury shares, may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock

Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on GEM other than in exceptional circumstances and provided that a waiver on all or any of the restrictions under the GEM Listing Rules has been granted by the Stock Exchange. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if a company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following trading day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Core connected persons

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the GEM Listing Rules) and a core connected person shall not knowingly sell his shares to the company.

(b) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 620,000,000 Shares in issue immediately after Listing, could accordingly result in up to 62,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends 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 GEM Listing Rules, our Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

(a) the subscription agreement dated 3 August 2016 entered into between Greater Elite and Gallant Empire regarding the subscription of 388 shares of Gallant Empire by Greater Elite at the total subscription price of HK$15,000,000;

(b) the reorganisation agreement dated 11 November 2016 entered into between Merchant World and Greater Elite as sellers, our Company as purchaser and Mr. Loh as warrantor, pursuant to which Merchant World and Greater Elite transferred the entire issued share capital of Gallant Empire to our Company, in consideration of which our Company allotted and issued 7,204 and 2,795 new Shares credited as fully paid, to Merchant World and Greater Elite respectively;

(c) the Deed of Indemnity;

(d) the Deed of Non-competition; and

(e) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group has registered the following trademark(s) in Malaysia which we believe are material to our business:

Mark	Registered owner	Date of registration	Expiry date	Places of registration	Trademark number	Class *(Note)*
Target	Target Precast	23 August 2013	23 August 2023	Malaysia	2013011803	19

Note: Class 19 – Building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal.

As at the Latest Practicable Date, our Group has applied for the following trademarks in Malaysia which we believe are material to our business:

Trademark	Applicant	Application number	Class *(Note)*	Status
Target	Target Precast	2016071070	9	Application received
Target	Target Precast	2016071071	37	Application received

Notes:

Class 9 – Electrical junction boxes, feeder pillar, feeder cables, electrical ducts, ducts for electric cables, conduit for optical fibre cables, conduit for electric cables, circuit breakers, fuses, terminal blocks, cable lugs, isolator switches, cable glands, all included in class 9.

Class 37 – Construction services using concrete, mechanical and electrical installation, maintenance and repair services including installation, maintenance and repair of feeder pillars and electrical junction boxes for telecommunication and electrical installations, construction and maintenance of civil engineering, telecommunication and electrical facilities, construction and maintenance of buildings, construction of civil engineering structures by forming concrete, construction of civil engineering works, all included in class 37.

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registrant	Date of registration	Expiry date
http://www.targetprecast.com/	Target Precast	20 November 2008	20 November 2017

Information contained in the above website does not form part of this prospectus.

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of interests of Directors

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

(i) Long position in the Shares

Name of Director	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Loh (*Note*)	Interest in a controlled corporation	317,020,000 ordinary Shares	51.13%

Note: These Shares are registered in the name of Merchant World, a company which is wholly-owned by Mr. Loh. Under the SFO, Mr. Loh is deemed to be interested in all the Shares registered in the name of Merchant World.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of share(s) held	Approximate percentage of interest
Mr. Loh	Merchant World	Beneficial owner	1	100%

(b) Particulars of service contracts

Each of Mr. Loh and Mr. Tan, our executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party. Commencing from the Listing Date, each of our executive Directors is entitled to an annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company.

In addition, each of our executive Directors may be entitled to, if so recommended by the remuneration committee of our Company and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, discretionary bonus and other benefits payable to him. The current basic annual salary of our executive Directors are as follows:

Name	**Amount**
Mr. Loh	HK$636,000
Mr. Tan	HK$336,000

Each of Mr. Chu, Mr. Lee and Mr. Yau, being our independent non-executive Directors, has entered into a letter of appointment with our Company for an initial term of service commencing from the Listing Date and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing. Commencing from the Listing Date, the independent non-executive Directors are entitled to an annual director's fee as set out below:

Name	**Amount**
Mr. Chu	HK$150,000
Mr. Lee	HK$150,000
Mr. Yau	HK$150,000

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are:

(i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;

(ii) non-cash benefits may be provided to our Directors under their remuneration package; and

(iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

An aggregate sum of approximately RM228,000, RM228,000 and RM276,000 was paid to our Directors as remuneration and benefits in kind in their capacity as Directors by our Group for FY2015, FY2016 and the nine months ended 28 February 2017, respectively.

An aggregate sum of approximately HK$1.4 million will be paid to our Directors as remuneration and benefits in kind by our Group for the year ending 31 May 2018 under the arrangements in force at the date of this prospectus excluding management bonus.

2. Substantial shareholders

Disclosure of interest of substantial shareholders

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

Name	**Nature of interest**	**Number of Shares** *(note 1)*	**Approximate percentage of shareholding**
Merchant World	Beneficial owner	317,020,000 Shares (L)	51.13%
Mr. Loh *(Note 2)*	Interest in controlled corporation	317,020,000 Shares (L)	51.13%
Ms. Woon *(Note 3)*	Interest of spouse	317,020,000 Shares (L)	51.13%
Greater Elite	Beneficial owner	122,980,000 Shares (L)	19.84%
Mr. Law *(Note 4)*	Interest in controlled corporation	122,980,000 Shares (L)	19.84%
Ms. Cheng Lai Wah Christina *(Note 5)*	Interest of spouse	122,980,000 Shares (L)	19.84%

Notes:

(1) The letter (L) denotes the person's long interest in our Shares.

(2) Merchant World is a company incorporated in the BVI and is wholly-owned by Mr. Loh. Mr. Loh is deemed to be interested in all the Shares held by Merchant World for the purpose of the SFO.

(3) Ms. Woon is the spouse of Mr. Loh and is deemed, or taken to be interested in all Shares in which Mr. Loh has interest under the SFO.

(4) Greater Elite is a company incorporated in the BVI and is wholly-owned by Mr. Law. Mr. Law is deemed to be interested in all the Shares held by Greater Elite for the purpose of the SFO.

(5) Ms. Cheng Lai Wah Christina is the spouse of Mr. Law and is deemed, or taken to be interested in all Shares in which Mr. Law has interest under the SFO.

3. Related party transactions

Our Group entered into the related party transactions during the Track Record Period as mentioned in note 34 of the Accountants' Report set out in Appendix I to this prospectus.

4. Disclaimers

Save as disclosed in this Appendix and the section headed "Substantial Shareholders" of this prospectus:

(a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;

(b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;

(c) none of our Directors nor the experts named in "E. Other information – 7. Qualifications 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 issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and

(e) none of the experts named in "E. Other information – 7. Qualifications of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the Shareholders on 27 June 2017.

For the purpose of this section, unless the content otherwise requires:

"Allotment Date"	means the date on which Shares are allotted and issued to a participant pursuant to the exercise of rights attaching to an option granted and exercised under the Share Option Scheme;
"Board"	means our board of Directors from time to time or a duly authorised committee thereof;
"Eligible Person"	means, among others, any full-time or part-time employee of our Company or any member of our Group, including any executive, non-executive directors and independent non-executive directors, advisors, consultants of our Company or any of our subsidiaries;
"Exercise Price"	means the exercise price for any Share under the Share Option Scheme determined by the Board;
"Option(s)"	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;

"Option Period"	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant which the Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date of grant of such option;
"Other Schemes"	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
"Participant"	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
"Shareholders"	means shareholders of our Company from time to time;
"Subsidiary"	means a company which is for the time being and from time to time a subsidiary (within the meaning of the GEM Listing Rules) of our Company, whether incorporated in Hong Kong or elsewhere; and
"Trading Day(s)"	means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

Our Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than five business days from the date on which the Option is granted.

(c) Grant of Option

Any grant of Options must not be made after inside information has come to our Company's knowledge until we have announced the information in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a result announcement. Our Directors may not grant any Option to an Eligible Person during the periods or times in which the Directors are prohibited from dealing in shares pursuant to Rules 5.48 to 5.67 prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, our Company may make a further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the Exercise Price.

(d) Grant of Option

The Exercise Price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest 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 Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

For the purpose of calculating the Exercise Price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) Maximum number of Shares

(i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") unless approved by the Shareholders pursuant to the terms of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 620,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 62,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

(ii) Subject to the approval of Shareholders in general meeting, our Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to our Shareholders containing the information from time to time required by the GEM Listing Rules.

(iii) Subject to the terms of the Share Option Scheme and the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to our Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such relevant information from time to time required by the GEM Listing Rules.

(iv) Notwithstanding the foregoing, our Company may not grant any Options if the 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 Other Schemes in aggregate exceeds 30% of the Shares in issue from time to time.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the applicable option period to be determined and notified by our Board to each Participant, provided that, among others, the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

(g) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

Subject to the terms of the Share Option Scheme, if a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options up to the Participant's entitlement (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death or such longer period as the Board may determine, failing which such Options will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the Exercise Price, and/or the method of exercise of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate Exercise Price payable by a Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser appointed by our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(j) Rights on take-over

If a general offer (whether by way of takeover offer as defined in the Takeovers Code or scheme of arrangement or otherwise in like manner) has been made to all our Shareholders (other than the offeror and/or any persons controlled by the offeror and/or any person acting in concert with the offeror) to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, “acting in concert” shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

(k) Rights on a compromise or arrangement

(i) In the event of a notice given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our Company's Share registers) prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our Company's Share registers) immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.

(ii) In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), our Company shall give notice thereof to all Participants on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to our Company accompanied by the remittance for the total Exercise Price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our Company's Share registers) prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

(l) Lapse of Option

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period;

(ii) subject to paragraphs (f), (h), (j), (k) and (p) and the terms of the Share Option Scheme, the expiry of the Option Period of the Option;

(iii) subject to paragraph (k)(i), the date of commencement of the winding-up of our Company;

(iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);

(v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;

(vi) the happening of any of the following events, unless otherwise waived by our Board:

(1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation); or

(2) the Participant (being a corporation) has ceased or suspended payment of its debts or otherwise become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with its creditors generally; or

(3) there is unsatisfied judgment, order or award outstanding against the Participant or our Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts; or

(4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above; or

(5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or

(6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or

(vii) the date on which a situation as contemplated under paragraph (g) arises;

(viii) the date the Participant commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by our Board; or

(ix) the date on which our Board resolves that the Participant has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed in accordance with the terms of the Share Option Scheme.

(m) Ranking of Shares

Shares allotted and issued upon the exercise of an Option will be subject to the provisions of our Memorandum and Articles of Association in force as at the Allotment Date and will rank pari passu in all respects with the existing fully paid Shares in issue on the Allotment Date and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the Allotment Date. Any Share allotted upon the exercise of the Option shall not carry voting rights until the name of the Participant has been duly entered into the register of members of our Company as the holder thereof.

(n) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the Participant concerned in writing.

In the event that our Board elects to cancel any Options and issue new ones to the same Participant, the issue of such new Options may only be made with available unissued Shares in the authorised share capital of our Company and available ungranted Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board, except that the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules (or any other relevant provisions of the GEM Listing Rules from time to time applicable) shall not be altered to the advantage of the Participants or prospective Participants without the prior approval of our Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such majority of the Participants as would be required by our Shareholders under our Memorandum and Articles of Association for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature shall first be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting or the Board may, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event, no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the first new scheme to be established after such termination.

(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their respective associates

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of our Company or any of their respective associates, the proposed grant must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Participant).

If a grant of Options to a substantial shareholder of our Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK$5 million, then the proposed grant of Options must be approved by our Shareholders on a poll in a general meeting. The Participant, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to our Shareholders containing the information required under the GEM Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to a Participant who is a substantial shareholder of our Company, an independent non-executive Director or any of their respective associates.

The circular must contain the following:

(i) details of the number and terms of the Options (including the Exercise Price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the Exercise Price;

(ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed Participant) to independent Shareholders, as to voting; and

(iii) all the information as required by the GEM Listing Rules from time to time.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the GEM Listing Rules) of our Company set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

(r) Conditions of Share Option Scheme

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by our Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued and allotted pursuant to the exercise of Options.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

(s) Present status of the Share Option Scheme

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules.

E. OTHER INFORMATION

1. Tax and other indemnities

Each of our Controlling Shareholders (collectively, the "**Indemnifiers**") has entered into the Deed of Indemnity (being the material contract referred to in "B. Further information about the business of our Group – 1. Summary of material contracts – (c) the Deed of Indemnity" to this Appendix) with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

(a) any taxation (which includes estate duty) or taxation claim in whatever part of the world which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or up to the date on which the conditions stated in the section headed "Structure and Conditions of the Share Offer – Conditions of the Share Offer" of this prospectus being fulfilled (the "**Effective Date**") or arising from the reorganisation of our Group described in the section headed "History and Development – Reorganisation" of this prospectus on or before the Effective Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation or taxation claim is chargeable against or attributable to any other person, firm or company, save to the extent that:

(i) provision or reserve has been made for such taxation in the audited accounts of our Group for the Track Record Period (the "**Accounts**") as set out in Appendix I to this prospectus and to the extent that such taxation is incurred or accrued since 1 March 2017 which arises in the ordinary course of business of our Group as described in the section headed "Business" of this prospectus;

(ii) such taxation or taxation claim falls on any member of our Group in respect of its accounting period commencing on or after 1 March 2017 unless such taxation or liability would not have arisen but for some act or omission of, or transactions voluntarily effected by, the Indemnifiers, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date;

(iii) such taxation claim or liability for such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by the relevant member of our Group after the date of the Deed of Indemnity;

(iv) such taxation claim or liability for such taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong, Malaysia, the Cayman Islands, or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

(v) any provisions or reserve made for taxation in the Accounts and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and

(b) any damages, liabilities, claims, losses including loss of profits or benefits incurred or suffered by any member of our Group directly or indirectly arising from or in connection with any possible or alleged violation or non-compliance with the applicable laws, rules or regulations of Hong Kong, Malaysia, the Cayman Islands, or of any part of the world, on all matters on or before the Effective Date, including but not limited to the incidents referred to in the section headed "Business – Legal and compliance" of this prospectus; or all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature instituted or threatened against our Group and/or any act, non-performance, omission or otherwise of our Group accrued or arising on or before the Listing Date, including but not limited to the incidents referred to in the section headed "Business – Legal and Compliance" of this prospectus.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands or the BVI or Malaysia or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

2. Litigation

Save as disclosed in the section headed "Business – Litigation and potential claims" of this prospectus, neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened by or against our Company or any of our subsidiaries, that would have a material adverse effect on our Group's results of operations or financial condition.

3. Sole Sponsor

Our Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of options which may be granted under the Share Option Scheme. The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed RHB Capital Hong Kong Limited as compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately US$4,300 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

7. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
RHB Capital Hong Kong Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
David Lai & Tan	Legal advisers to our Company as to Malaysian law
Appleby	Legal advisers to our Company as to Cayman Islands law
Ipsos Limited	Industry consultant

8. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries thereof (as the case may be) and the references to its name included in this prospectus in the form and context in which it respectively appears.

9. Sole Sponsor's fees

Our Sole Sponsor will be paid by our Company a total fee of HK$5.0 million to act as sponsor to our Company in connection with the Listing.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

(a) any taxation (which includes estate duty) or taxation claim in whatever part of the world which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or up to the date on which the conditions stated in the section headed "Structure and Conditions of the Share Offer – Conditions of the Share Offer" of this prospectus being fulfilled (the "**Effective Date**") or arising from the reorganisation of our Group described in the section headed "History and Development – Reorganisation" of this prospectus on or before the Effective Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation or taxation claim is chargeable against or attributable to any other person, firm or company, save to the extent that:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.

(b) 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.

(c) No founder, management or deferred shares of our Company or any of our subsidiaries has been issued or agreed to be issued.

(d) Our Directors confirm that, up to the date of this prospectus, save as disclosed in the section headed "Summary – Recent developments and material adverse change" of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 28 February 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up), and there had been no event since 28 February 2017 which would materially affect the information as shown in the accountants' report set out in Appendix I to this prospectus.

(e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.

(f) None of RHB Capital Hong Kong Limited, Deloitte Touche Tohmatsu, David Lai & Tan, Appleby and Ipsos Limited:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

(g) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(h) Our Company has no outstanding convertible debt securities.

(i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

(j) There are no arrangements under which future dividends are waived or agreed to be waived.

12. Bilingual Prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. 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.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or 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.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of Application Forms, the written consents referred to in the paragraph headed "Statutory and General Information – E. Other information – 8. Consents of experts" in Appendix IV to this prospectus, and copies of the material contracts referred to in the paragraph headed "Statutory and General Information – B. Further information about the business of our Group – 1. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of TC & Co. of Units 2201-2203, 22nd Floor, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;

2. the accountants' report on financial information of our Group for the years ended 31 May 2015 and 2016 and the nine months ended 28 February 2017 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

3. the auditor's report on the consolidated financial statements of our Group underlying the financial information of our Group incorporated in the accountants' report;

4. the report prepared by Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix IIA to this prospectus;

5. the letters on the loss estimate prepared by Deloitte Touche Tohmatsu and the Sole Sponsor, the text of which are set out in Appendix IIB to this prospectus;

6. the legal opinion prepared by David Lai & Tan, the legal advisers to our Company as to Malaysian law, in respect of certain aspects of our Group;

7. the letter of advice prepared by Appleby, the legal advisers to our Company as to Cayman Islands law, summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;

8. the Companies Law;

9. the service agreements and letters of appointment referred to in the paragraph headed "Statutory and General Information – C. Further information about Directors and Substantial Shareholders – 1. Directors" in Appendix IV to this prospectus;

10. copies of material contracts referred to in the paragraph headed "Statutory and General Information – B. Further information about the business of our Group – 1. Summary of material contracts" in Appendix IV to this prospectus;

11. the written consents referred to the paragraph headed "Statutory and General Information – E. Other information – 8. Consents of experts" in Appendix IV to this prospectus;

12. the rules of the Share Option Scheme; and

13. the Ipsos Report.

SK TARGET GROUP LIMITED
瑞強集團有限公司